PROXYMED INC /FT LAUDERDALE/
Form DEFM14A
December 28, 2007

Table of Contents

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

(RULE 14a-101)
SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934

Filed by the Registrant þ
Filed by a Party other than the Registrant o

Check the appropriate box:

o Preliminary Proxy Statement.
o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2)).**
þ Definitive Proxy Statement.
o Definitive Additional Materials.
o Soliciting Material Pursuant to §240.14a-12.

PROXYMED, INC.
(Name of Registrant as Specified in its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

o No fee required.

o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies: Common stock, par value $0.001

(2) Aggregate number of securities to which transaction applies: 13,782,915

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined): The filing fee was determined based on the $23,500,000 total consideration proposed to be paid to ProxyMed, Inc. d/b/a MedAvant Healthcare Solutions in the transaction.

(4) Proposed maximum aggregate value of transaction: $23,500,000

(5) Total fee paid: $721.45

þ Fee paid previously with preliminary materials.

o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the form or schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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Table of Contents

ProxyMed, Inc.
1854 SHACKLEFORD COURT, SUITE 200
NORCROSS, GEORGIA 30093
(770) 806-9918

December 31, 2007

Dear Shareholders:

I am pleased to enclose the proxy statement for our Special Meeting of shareholders to be held on Tuesday, January 22, 2008. We are asking shareholders to approve the sale of our cost containment business to Coalition America, Inc. for $23.5 million, subject to certain purchase price adjustments.

This sale will allow us to exit from a line of business that had experienced declining revenues under very competitive market conditions. We will use the proceeds to pay down a portion of our outstanding indebtedness allowing us to focus on our remaining lines of business.

The date, time, place and agenda for the Special Meeting are set forth in the accompanying notice of Special Meeting. The accompanying proxy statement contains important information about the proposals to be submitted for a vote at the meeting, including approval of the sale of our cost containment business to Coalition America, Inc. Please review this information carefully in deciding how to vote. **Our board of directors unanimously recommends that you vote FOR each proposal.**

YOUR VOTE ON THESE MATTERS IS IMPORTANT. Please see the accompanying notice of meeting for instructions on how to vote.

I look forward to seeing you at the meeting.

Sincerely,

John G. Lettko
Chief Executive Officer

Table of Contents

ProxyMed, Inc.
1854 SHACKLEFORD COURT, SUITE 200
NORCROSS, GEORGIA 30093
(770) 806-9918

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS
TO BE HELD ON JANUARY 22, 2008

NOTICE IS HEREBY GIVEN that a Special Meeting of shareholders (the Special Meeting) of ProxyMed, Inc., a Florida corporation, d/b/a MedAvant Healthcare Solutions (MedAvant, we, or us), will be held on January 22, 2008, a 10:00 a.m., Eastern Time, at our corporate offices located at 1854 Shackleford Court, Suite 200, Norcross, Georgia 30093. At our Special Meeting we will ask you to:

1. Approve the sale of substantially all of our assets that relate to our cost containment business (the Cost Containment Business) pursuant to a Stock Purchase Agreement dated November 8, 2007 by and among Coalition America, Inc., CCB Acquisition, LLC and us;

2. Approve one or more adjournments of the Special Meeting if deemed necessary to facilitate the approval of Proposal No. 1, including to permit the solicitation of additional proxies if there are not sufficient votes at the time of the Special Meeting to establish a quorum or to approve Proposal No. 1; and

3. Transact any other business that may properly come before the Special Meeting and any adjournment or postponement thereof.

Our board of directors recommends that you vote FOR Proposals 1 and 2 and that you allow our representatives to vote the shares represented by your proxy as recommended by our board of directors.

Pursuant to our bylaws, our board of directors has fixed the close of business on December 5, 2007, as the record date for determining those shareholders entitled to notice of and to vote at the Special Meeting.

BY ORDER OF THE BOARD OF DIRECTORS,

Peter E. Fleming, III
Executive Vice President, General Counsel and Secretary

December 31, 2007
Norcross, Georgia

A FORM OF PROXY IS ENCLOSED. YOUR VOTE IS VERY IMPORTANT. IT IS IMPORTANT THAT PROXIES BE RETURNED PROMPTLY. THEREFORE, WHETHER OR NOT YOU PLAN TO BE PRESENT IN PERSON AT THE SPECIAL MEETING, PLEASE COMPLETE, SIGN, DATE AND RETURN

THE ENCLOSED PROXY IN THE ENCLOSED ENVELOPE, WHICH DOES NOT REQUIRE POSTAGE IF MAILED IN THE UNITED STATES. YOUR PROXY MAY BE REVOKED AT ANY TIME BEFORE THE VOTE AT THE SPECIAL MEETING BY FOLLOWING THE PROCEDURES OUTLINED IN THE ACCOMPANYING PROXY STATEMENT.

TABLE OF CONTENTS

Table of Contents

ii

Table of Contents

Table of Contents

FORWARD LOOKING STATEMENTS

Statements in this Proxy Statement that are forward-looking statements are based on current expectations and assumptions that are subject to risks and uncertainties. In some cases, forward-looking statements can be identified by terminology such as may, should, potential, continue, expects, anticipates, intends, plans, believes, similar expressions. Actual results could differ materially from projected results because of factors such as:

- failure of our shareholders to approve the proposed transaction, and our ability to satisfy the other conditions to closing the proposed transaction, certain of which are not within our control;
- the soundness of our business strategies relative to the perceived market opportunities;
- our ability to successfully develop, market, sell, cross-sell, install and upgrade our clinical and financial transaction services and applications to current and new physicians, payers and medical laboratories;
- our ability to compete effectively on price and support services;
- our ability and that of our business associates to perform satisfactorily under the terms of our contractual obligations, and to comply with various government rules regarding healthcare and patient privacy;
- entry into markets with vigorous competition, market acceptance of existing products and services, changes in licensing programs, product price discounts, delays in product development and related product release schedules, any of which may cause our revenues and income to fall short of anticipated levels;
- the availability of competitive products or services;
- the continued ability to protect our intellectual property rights;
- implementation of operating cost structures that align with revenue growth;
- uninsured losses;
- adverse results in legal disputes;
- unanticipated tax liabilities; and
- the effects of a natural disaster or other catastrophic event beyond our control that results in the destruction or disruption of any of our critical business or information technology systems.

Any of these factors could affect our ability to consummate the transaction described herein and cause our actual results to differ materially from the guidance given at this time. For further information about the risks of the proposed transaction and our Company, we refer you to the documents we file from time to time with the Securities and Exchange Commission, particularly our Form 10-K for the year ended December 31, 2006.

There are representations and warranties contained in the Stock Purchase Agreement that is attached as an appendix and described herein which were made by the parties to each other as of specific dates. The assertions embodied in these representations and warranties were made solely for purposes of the Stock Purchase Agreement and may be subject to important qualifications and limitations agreed to by the parties in connection with negotiating its terms. Moreover, certain representations and warranties may not be accurate or complete as of any specified date because they are subject to a contractual standard of materiality that is different from certain standards generally applicable to shareholders or were used for the purpose of allocating risk between the parties rather than establishing matters as facts. Therefore, you should not rely on the representations and warranties contained in the Stock Purchase Agreement as statements of factual information.

We do not assume any obligation to update information contained in this document, except as required by federal securities laws. Although this Proxy Statement may remain available on our website or elsewhere, its continued availability does not indicate that we are reaffirming or confirming any of the information contained herein.

SUMMARY TERM SHEET

The following summary, together with the following question and answer section, provides an overview of the proposed sale of our Cost Containment Business discussed in this Proxy Statement and the attached appendices. The summary also contains cross-references to the more detailed discussions elsewhere in the Proxy Statement. This summary may not contain all of the information that is important to you. To understand fully the proposed sale of our Cost Containment Business, and for a more complete description of the terms thereto, you should carefully read this entire Proxy Statement and the attached appendices in their entirety.

Proposal No. 1: Sale of our Cost Containment Business:

General (see page 13)

We have entered into a Stock Purchase Agreement with Coalition America, Inc. (CAI) and CCB Acquisition, LLC (CCB), a wholly owned subsidiary of CAI (the Stock Purchase Agreement) in which we will sell to CAI the following subsidiaries: Plan Vista Solutions, Inc., National Network Services, LLC, Plan Vista Corporation, Medical Resource, LLC, and National Provider Network, Inc. (collectively, the Cost Containment Subsidiaries) that constitute our Cost Containment Business. In 2006, our Cost Containment Business had revenue of $23.9 million or 36.5% of our total revenue and operating income of $2.4 million, while our Company had a net loss of ($6.6 million). At September 30, 2007, our Cost Containment Business had total assets of $24.1 million or 54.2% of our total assets.

The Parties

MedAvant Healthcare Solutions

We, MedAvant Healthcare Solutions (MedAvant or the Company), are an information technology company that facilitates the exchange of medical claim and clinical information among doctors, hospitals, medical laboratories, and insurance payers. We also enable the electronic transmission of laboratory results. MedAvant is a trade name of ProxyMed, Inc. which was incorporated in 1989 in Florida. In December 2005, ProxyMed began doing business under the new operating name, MedAvant Healthcare Solutions, to unite all business units and employees under one brand identity. Adopting a new name was one of several results of a strategic analysis completed in the third quarter of 2005 following the acquisition of seven companies between 1997 and 2004. One of our core businesses is cost containment, which includes re-pricing of medical claims among healthcare providers and insurers and other payers (the Cost Containment Business).

Coalition America, Inc.

Coalition America, Inc. (CAI) is a Georgia corporation based in Atlanta, Georgia that specializes in healthcare cost containment. CAI offers its clients direct provider contracts, PPO networks and provider negotiations.

CCB Acquisition, LLC

CCB Acquisition, LLC (CCB) is a Delaware limited liability company and wholly owned subsidiary of CAI formed for the purpose of effectuating CAI s purchase of our Cost Containment Business.

Background of the Proposed Sale of the Cost Containment Business (see page 13)

We believe MedAvant is the nation s fourth largest claims processor, among the top five independent Preferred Provider Organizations (PPO) and the largest company that facilitates delivery of laboratory results. Our PPO is called the National Preferred Provider Network (NPPN) and is accessed by more than 550,000 physicians, 4,000 acute care facilities and 90,000 ancillary care providers. NPPN is the core of our Cost Containment Business. We generate revenue primarily by charging participating payers a percentage of the savings they receive through the Cost Containment Business, including NPPN. Because we operate a PPO, we can offer payers discounts on claims when a patient uses an out-of-network provider and we can negotiate non-discounted claims for payers.

We have faced declining operating performance and revenues in each of our business units for the last several years. In response to declining operating performance and revenues, beginning in the second quarter of 2007, our board began to actively explore strategic alternatives for us. We engaged a financial advisor, Cain Brothers & Company, LLC (Cain Brothers), with respect to, among other things, exploring and evaluating our strategic alternatives, including a sale of our entire company or any of our business units. Cain Brothers contacted approximately forty-nine potential acquirers regarding their interest in our entire company or our business units. Through that process, we did not receive any interest in a business combination or acquisition of our entire company, but we did receive some indications of interest in the purchase of our Cost Containment Business on a stand alone basis as well as interest in our other business units.

During the summer of 2007, CAI expressed interest in entering into a potential transaction with us for the sale of our Cost Containment Business. Since then, certain of our executive officers met with representatives from CAI to discuss and negotiate a potential transaction involving the sale of the Cost Containment Business to CAI. Our board met on multiple occasions to discuss and consider the proposed transaction with CAI. These efforts culminated with the execution of the Stock Purchase Agreement for the Cost Containment Business on November 8, 2007.

Reasons for the Sale of the Cost Containment Business (see page 15)

We believe that the sale of the Cost Containment Business and the terms of the Stock Purchase Agreement are in the best interests of our shareholders. The sale of the Cost Containment Business will permit us to focus on our other business units and provide the following anticipated benefits:

- May prevent Laurus Master Fund Ltd. (Laurus) from exercising its rights under our loan agreements to foreclose on all of our assets as a result of our continuing default under such loan agreements;
- Provides us with immediately available funds to pay off a portion of our outstanding indebtedness and liabilities; and
- Allows us to focus on our other core business as related to health claim electronic data processing and laboratory service, and to develop a strategy for reversing our continuing losses and depletion of our cash reserves.

Our Board also considered various risks when evaluating the sale of the Cost Containment Business, which include:

- The viability of our remaining business after the sale of the Cost Containment Business;
- The possibility that the proposed sale might not be completed;
- The effect of the public announcement of the proposed sale on key customer accounts and on our ability to attract and retain personnel; and
- Potential delay in the closing of the proposed sale, resulting in us incurring more losses, depleting more of our cash reserves, and causing Laurus to exercise its right to foreclose on all of our assets.

Fairness Opinion of Financial Advisor (see page 18)

Our financial advisor, Cain Brothers, delivered a written opinion to our board as to the fairness to us of the sale of the Cost Containment Business, from a financial point of view, of the $23.5 million cash consideration (before any adjustments) to be paid to us in connection with the sale of the Cost Containment Business. The full text of the written opinion of Cain Brothers, dated November 8, 2007, is attached to as Appendix B to this Proxy Statement and should be read in its entirety for a description of the procedures followed, assumptions made, matters concerned and limitations on the review undertaken. We paid Cain Brothers a fee for the delivery of this opinion.

THE OPINION OF CAIN BROTHERS IS DIRECTED TO OUR BOARD OF DIRECTORS, WILL NOT BE UPDATED AND DOES NOT CONSTITUTE A RECOMMENDATION TO ANY SHAREHOLDER AS TO HOW SUCH SHAREHOLDER SHOULD VOTE ON THE PROPOSED SALE OF THE COST CONTAINMENT BUSINESS.

The Transaction (see page 14)

Purchase Price (see page 24)

As consideration for the sale of all the capital stock or equity interests relating to the Cost Containment Subsidiaries, CAI will pay us $23.5 million, subject to a post-closing adjustment based on the final net working capital of the Cost Containment Subsidiaries as of the closing. At closing, we will receive $20.5 million in cash, approximately $16.5 million will be immediately used to pay down senior debt and approximately $4.0 million will be used to pay transaction costs, outstanding accounts payable, and other debt of the Cost Containment Business. Also, $3.0 million will be placed in escrow to cover possible indemnification claims by CAI and CCB.

Terms of the Stock Purchase Agreement (see page 24)

The Stock Purchase Agreement is attached to this Proxy Statement as Appendix A. We encourage you to read the Stock Purchase Agreement carefully. Our board has approved the Stock Purchase Agreement, which is the binding legal agreement that governs the terms of the sale of our Cost Containment Business.

Some of the key provisions of the Stock Purchase Agreement are as follows:

Representations and Warranties

The Stock Purchase Agreement contains customary representations and warranties of the parties relating to, among other things, their authority to enter into the Stock Purchase Agreement and, in the case of MedAvant, various aspects of the Cost Containment Business.

Covenants

The Stock Purchase Agreement contains customary covenants of the parties, including agreements by us to conduct the Cost Containment Business in accordance with ordinary past practices, to refrain from certain actions between the time of signing the Stock Purchase Agreement and the closing of the sale of the Cost Containment Business, to use commercially reasonable efforts to solicit shareholder proxies approving the sale of the Cost Containment Business and to provide transition services to CAI pursuant to a separate transition services agreement.

Superior Offer

The Stock Purchase Agreement provides that our board may, at any time prior to obtaining shareholder approval of the sale of the Cost Containment Business, withdraw or modify its approval or recommendation of the Stock Purchase Agreement or the sale of the Cost Containment Business or approve or recommend a superior offer to purchase the Cost Containment Business if our board determines, in good faith, that such offer constitutes a superior offer and determines that to do otherwise would violate the board s fiduciary duties.

Indemnification

The Stock Purchase Agreement provides that each party will indemnify the other for any losses incurred as a result of, among other things, breaches of representations, warranties and covenants, subject in certain circumstances to specified dollar and time limitations.

Conditions to Closing

The obligations of the parties to complete the sale of the Cost Containment Business are subject to certain customary closing conditions, including, among other things:

- that the sale has been approved by our shareholders;
- that Laurus has given its consent;
- that certain parties with security interests or claims against the Cost Containment Business have released their security interests or claims; and

- that CAI has obtained sufficient financing to pay the purchase price, on terms no less favorable to CAI than those set forth in a commitment letter obtained from Merrill Lynch prior to signing the Stock Purchase Agreement.

Termination

The Stock Purchase Agreement can be terminated:

- by mutual agreement of the parties;
- by either party if a material breach of the Stock Purchase Agreement has been committed by the other party;
- by either party if the closing has not occurred on or before April 15, 2008 or such later date as the parties may agree upon;
- by CCB if we do not obtain shareholder approval by the earlier of the Special Meeting (or any adjournment or postponement thereof) or March 31, 2008;
- by either party if the satisfaction of a condition to closing becomes impossible;
- by CCB if a material adverse change to the Cost Containment Business occurs;
- by either party if our board accepts a superior proposal;
- by CCB if it is unable to obtain financing on terms no less favorable to CAI than those set forth in a commitment letter obtained from Merrill Lynch prior to signing the Stock Purchase Agreement; and
- by CCB if Laurus either fails to deliver its consent to the sale of the Cost Containment Business prior to January 15, 2008 or does not agree to amend its consent if the payment to Laurus specified in its consent is greater than available proceeds.

Termination Payment and Expenses

All parties to the Stock Purchase Agreement have agreed that each party will pay its own expenses. However, in the event the Stock Purchase Agreement terminates because of a breach by a party, the non-breaching party s right to pursue all legal remedies will survive the agreement s termination unimpaired.

If the Stock Purchase Agreement is terminated because: (a) our shareholders fail to approve the sale of the Cost Containment Business; (b) we accept a superior proposal; or (c) Laurus fails to deliver a satisfactory consent; then we are obligated to pay CAI $940,000 plus fees and expenses incurred in connection with the proposed sale.

If the Stock Purchase Agreement is terminated because CAI is unable to obtain financing and all other conditions to closing have been satisfied on or before January 31, 2008, then CAI is obligated to pay us $940,000 plus fees and expenses incurred in connection with the proposed sale.

Certain Material Federal Income Tax Consequences (see page 30)

The sale of the Cost Containment Business will be a taxable transaction for us. We will realize gain (loss) measured by the difference between the proceeds received by us on such sale and our tax basis in the assets sold. For purposes of calculating gain, the proceeds received by us will include the cash we received, the amount of our indebtedness that is cancelled or assumed, and any other consideration we receive for our assets. It is anticipated that we will have sufficient losses (including net operating loss carryforwards) to offset any gain realized from the sale for regular Federal income tax purposes, subjecting us only to Federal alternative minimum tax.

We may be subject to state income taxes to the extent that gains exceed losses for state tax law purposes, but we do not anticipate that such taxes, if any, will be significant.

The sale of the Cost Containment Business will not result in any Federal income tax consequences to our shareholders.

Accounting Treatment (see page 30)

We will record the sale of the Cost Containment Business in accordance with generally accepted principles in the United States. Upon completion of the disposition, we will recognize a gain (loss) for financial statement purposes equal to the net proceeds (sum of purchase price less expenses of the sale) less the book value of the assets and liabilities sold.

Regulatory Approvals (see page 30)

We are not aware of any federal or state regulatory requirements that must be complied with or approvals that must be obtained to complete the sale of the Cost Containment Business, other than the filing of this Proxy Statement with the Securities Exchange Commission (the SEC). If any additional approvals or filings are required, we will use our commercially reasonable efforts to obtain those approvals and make any required filings before completing the transactions.

No Changes to the Rights of Shareholders (see page 30)

There will be no change in the rights of our shareholders as a result of the sale of the Cost Containment Business.

No Appraisal Rights (see page 31)

Our shareholders do not have appraisal rights under the Florida Business Corporation Act in connection with the sale of the Cost Containment Business because our common stock is listed on the NASDAQ Global Market.

Required Vote (see page 31)

The affirmative vote of holders of a majority of the shares of common stock and Series C 7% Convertible Preferred Stock (Series C Preferred Stock), on an as converted basis, voting together as a single class, is required in order to approve the sale of the Cost Containment Business. Because the affirmative vote of a majority of the votes entitled to be cast at the Special Meeting is required to approve the sale of the Cost Containment Business, abstentions, broker non-votes and shares not represented at the Special Meeting will have the same effect as a vote against the sale of the Cost Containment Business.

Recommendation of Our Board of Directors Regarding the Sale of the Cost Containment Business (see page 31)

For the reasons described above, our board has determined that the proposed sale of the Cost Containment Business is in the best interests of the Company and our shareholders. Accordingly, our board has unanimously approved the proposed sale of the Cost Containment Business and Stock Purchase Agreement and recommends to our shareholders that they vote FOR approval of Proposal No. 1.

Proposal No. 2: Adjournment of the Special Meeting:

Purpose (see page 32)

In the event there are not sufficient votes present, in person or by proxy, at the Special Meeting to approve the sale of the Cost Containment Business, our chief executive officer, acting in his capacity as chairperson of the meeting, may propose an adjournment of the Special Meeting to a later date or dates to permit further solicitation of proxies.

Required Shareholder Vote to Approve the Adjournment Proposal (see page 32)

Approval of the adjournment proposal will require that the number of votes cast in favor of the proposal exceed the number of votes cast against it. Assuming the presence of a quorum, abstentions, broker non-votes and shares not represented at the Special Meeting will have no effect on the adjournment proposal.

Recommendation of Our Board of Directors (see page 32)

Our board of directors unanimously recommends that our shareholders vote FOR approval of Proposal No. 2 to adjourn the Special Meeting, if necessary to obtain the requisite number of proxies required to approve Proposal No. 1.

QUESTIONS AND ANSWERS ABOUT THE SPECIAL MEETING AND RELATED PROPOSALS

Why am I receiving this Proxy Statement and proxy card?

You are receiving this Proxy Statement and proxy card because you own shares of our common stock or our Series C Preferred Stock. This Proxy Statement describes the proposals on which we would like you, as a shareholder, to vote. It also gives you information on the proposals so that you can make an informed decision.

Who can vote at the Special Meeting?

Only shareholders of record at the close of business on December 5, 2007 will be entitled to vote at the Special Meeting.

What is being voted on?

You are being asked to vote on the following matters:

1. To approve the sale of our Cost Containment Business; and

2. To approve one or more adjournments of the Special Meeting, if deemed necessary to facilitate the approval of Proposal No. 1, including to permit the solicitation of additional proxies if there are not sufficient votes at the time of the Special Meeting to establish a quorum or to approve Proposal No. 1.

What will happen if the proposed sale of the Cost Containment Business is approved?

If the proposed sale of the Cost Containment Business is approved, we will complete the sale subject to the satisfaction of the closing conditions set forth in the Stock Purchase Agreement. We anticipate that the transaction will close shortly after the Special Meeting.

What will happen if the proposed sale of the Cost Containment Business is not approved?

We believe that if we are unable to successfully close the sale of our Cost Containment Business and if we are not successful in obtaining additional financing, we may not be able to continue operations. In addition, we will owe a termination fee to CAI and we would continue to be in default under the terms of our agreement with Laurus, our senior secured lender, who has reserved all rights with respect to such default and who may exercise its right to foreclose on our assets.

Does the board of directors recommend that I vote on the proposals to be considered and voted upon at the Special Meeting?

Our board of directors recommends that you vote your shares:

FOR the proposed sale of the Cost Containment Business to CAI; and

FOR the adjournment of the Special Meeting, if necessary for the approval of Proposal No. 1.

Who should I call if I have any questions about the Special Meeting?

If you have any questions about the Special Meeting, you should contact our Corporate Secretary at 1854 Shackleford Court, Suite 200, Norcross, Georgia 30093, telephone 770-806-9918.

How do I vote?

After carefully reading and considering the information contained in this Proxy Statement, you may either complete, sign and date your proxy card and voting instructions and return them in the enclosed postage-paid envelope or vote in person at the Special Meeting. Please vote your shares as soon as possible so that your shares will be represented at the Special Meeting.

Table of Contents

If my shares are held in street name by my broker, will my broker vote my shares for me?

Your broker will vote your shares only if you provide instructions on how to vote. Please tell your broker how you would like him or her to vote your shares. If you do not tell your broker how to vote, your shares will not be voted by your broker.

Can I change my vote after I have delivered my proxy?

Yes. You may revoke your proxy at any time before it is voted at the meeting by (i) delivering a written notice of revocation to our Corporate Secretary at 1854 Shackleford Court, Suite 200, Norcross, Georgia 30093, (ii) delivering a later-dated proxy, or (iii) attending the meeting and voting in person. Attendance at the Special Meeting, in and of itself, will not constitute a revocation of a proxy. If your shares are held in an account at a brokerage firm or a bank, you should contact your brokerage firm or bank for instructions on how to change your vote.

How many votes are required to approve the sale of the Cost Containment Business?

The affirmative vote of holders of a majority of the shares of common stock and Series C Preferred Stock, on an as converted basis, voting together as a single class, is required in order to approve the sale of the Cost Containment Business. Because the affirmative vote of a majority of the votes entitled to be cast at the Special Meeting is required to approve the sale of the Cost Containment Business, abstentions, broker non-votes and shares not represented at the Special Meeting will have the same effect as a vote against the sale of the Cost Containment Business.

Am I entitled to appraisal rights?

No, our shareholders do not have appraisal rights under the Florida Business Corporation Act in connection with the sale of the Cost Containment Business because our common stick is listed on the NASDAQ Global Market.

When do you expect the sale of the Cost Containment Business to be completed?

It is currently anticipated that the transactions and actions contemplated in the Stock Purchase Agreement will be completed as promptly as practicable following our Special Meeting to be held on January 22, 2008.

Who is paying for this proxy solicitation?

We will pay for the entire cost of soliciting proxies. In addition to these mailed proxy materials, our directors and employees may also solicit proxies in person, by telephone or by other means of communication. Directors and employees will not be paid any additional compensation for soliciting proxies. We may also reimburse brokerage firms, banks and other agents for the cost of forwarding proxy materials to beneficial owners.

THE SPECIAL MEETING

Time, Date and Place; Matters to be Considered

The Special Meeting will be held on January 22, 2008, at 10:00 a.m. local time, at our offices at 1854 Shackleford Court, Suite 200, Norcross, Georgia 30093. At the Special Meeting, shareholders will be asked to consider and vote upon each of the proposals and conduct such other business as may properly come before the Special Meeting and any adjournment thereof.

Voting and Record Date

The board of directors has fixed December 5, 2007, as the record date for determining holders of shares of our common stock and of shares of our Series C Preferred Stock that are entitled to receive notice of and to vote at the Special Meeting. Each holder of record of shares of our voting stock on the record date is entitled to cast one vote per share, exercisable in person or by a properly executed proxy, with respect to the approval of the proposals and any other matter to be submitted to a vote of shareholders at the Special Meeting. At November 16, 2007, there were 13,782,915 shares of common stock and 2,000 shares of Series C Preferred Stock that were outstanding.

Approval of Proposal No. 1 will require the affirmative vote of the holders of a majority of the outstanding shares entitled to vote thereon. Therefore, abstentions, broker non-votes and shares not represented at the Special Meeting will have the same effect as votes against Proposal No. 1. Approval of Proposal No. 2 requires that the number of votes cast in favor of the proposal exceed the number of votes cast against it. Assuming the presence of a quorum, abstentions, broker non-votes and shares not represented at the Special Meeting will have no effect on Proposal 2.

The board has unanimously approved each of the proposals and recommends that shareholders vote FOR the approval of each of the proposals. We are seeking requisite shareholder approval of each of the proposals.

Quorum

The required quorum for the transaction of business at the Special Meeting is a majority of the shares entitled to vote thereat by holders of shares of our common stock and Series C Preferred Stock outstanding on the record date. Broker non-votes and shares that are voted FOR or AGAINST a proposal or marked ABSTAIN are treated as being present at the Special Meeting for purposes of establishing a quorum and are also treated as shares entitled to vote at the Special Meeting with respect to such proposal. Florida law provides that the shareholders present may adjourn the Special Meeting despite the absence of a quorum.

Abstentions and Broker Non-Votes

Broker non-votes and the shares of voting stock as to which a shareholder abstains are included for purposes of determining whether a quorum of shares of voting stock is present at a meeting. A broker non-vote occurs when a nominee holding shares of voting stock for the beneficial owner does not vote on a particular proposal because the nominee does not have discretionary voting power with respect to that item and has not received instructions from the beneficial owner. Proposals 1 and 2 are non-discretionary items, which means that a nominee may not vote on either proposal without instructions from the beneficial owner. Since Proposal 1 requires the affirmative vote of a majority of our outstanding voting stock, abstentions and broker non-votes have the effect of votes against Proposal 1. Since Proposal 2 requires that the number of votes cast in favor of the proposal exceed the number of votes cast against it, assuming the presence of a quorum, abstentions and broker non-votes will have no effect on Proposal 2.

Brokerage Accounts

If any of your shares are held in the name of a brokerage firm, bank, bank nominee or other institution, only it can vote such shares and only upon receipt of your specific instructions. Accordingly, please contact the person responsible for your account and instruct that person to execute the proxy card representing your shares. In addition, if you hold your shares in a brokerage or bank account, your broker or bank may allow you to provide your voting instructions by telephone or Internet. Please consult the materials you receive from your broker or bank prior to authorizing a proxy by telephone or Internet. We urge you to confirm in writing your instructions to us directly at 1854 Shackleford Court, Suite 200, Norcross, Georgia 30092 so that we will be aware of all instructions given and can attempt to ensure that such instructions are followed.

Proxies

Our board of directors is asking for your proxy. Giving the board of directors your proxy means you authorize it to vote your shares at the Special Meeting in the manner you direct. You may vote for or against the proposals or abstain from voting. All valid proxies received prior to the Special Meeting will be voted. All shares of common stock and Series C Preferred Stock that are represented at the Special Meeting by properly executed proxies received prior to or at the Special Meeting, and not duly and timely revoked, will be voted at the Special Meeting in accordance with the choices marked thereon by the shareholders. Unless a contrary choice is marked, the shares represented by each proxy will be voted FOR approval of each of the proposals. At the time this proxy statement was mailed to shareholders, we were not aware that any other matters not referred to herein would be presented for action at the Special Meeting. If any other matters properly come before the Special Meeting, the persons designated in the proxy intend to vote the shares represented thereby in accordance with their best judgment.

Any proxy given pursuant to this solicitation may be revoked by the person giving it at any time before it is voted. Proxies may be revoked by (i) filing with our Corporate Secretary at or before the taking of the vote at the Special Meeting, a written notice of revocation bearing a later date than the proxy, (ii) duly executing a later-dated proxy relating to the same shares and delivering it to our Corporate Secretary before the taking of the vote at the Special Meeting or (iii) attending the Special Meeting and voting in person (although attendance at the Special Meeting will not in and of itself constitute a revocation of a proxy).

Attendance at the Special Meeting

Only holders of common stock or Series C Preferred Stock, their proxy holders and guests we may invite may attend the Special Meeting. If you wish to attend the Special Meeting in person but you hold your shares through someone else, such as a stockbroker, you must bring proof of your ownership and photo identification at the Special Meeting. For example, you could bring an account statement showing that you beneficially owned shares of common stock or Series C Preferred Stock of the Company as of the record date as acceptable proof of ownership.

Costs of Solicitation

We will bear the cost of printing and mailing proxy materials, including the reasonable expenses of brokerage firms and others for forwarding the proxy materials to beneficial owners of voting stock. In addition to solicitation by mail, solicitation may be made by certain of our directors, officers and employees, or firms specializing in solicitation; and may be made in person or by telephone or telegraph. No additional compensation will be paid to any of our directors, officers or employees for such solicitation.

SPECIAL RISK CONSIDERATIONS

You should carefully consider the special risk considerations described below as well as other information provided to you or referenced in this Proxy Statement in deciding how to vote on the proposed sale of the Cost Containment Business. The special risk considerations described below are not the only ones we face. Additional considerations not presently known to us or that we currently believe are immaterial may also impair our business operations. If any of the following special risk considerations actually occur, our business, financial condition or results of operations could be materially adversely affected, the value of our common stock could decline, and you may lose all or part of your investment.

Special Risk Considerations Regarding the Proposed Sale of the Cost Containment Business:

If we fail to complete the sale of the Cost Containment Business, you may lose your entire investment.

If we are unable to close the sale of our Cost Containment Business, we may owe a termination fee to CAI that could either exhaust our cash reserves or cause us to be unable to pay our scheduled obligations. In addition, we would continue to be in default under the terms of our agreement with Laurus, our secured senior lender, who may exercise its right to foreclose on our assets.

If we fail to complete the sale of the Cost Containment Business, our business may be harmed.

We cannot assure you that the sale of the Cost Containment Business will be completed. As a result of our announcement of the sale of the Cost Containment Business, third parties may be unwilling to enter into material agreements with respect to our Cost Containment Business. New or existing customers may prefer to enter into agreements with our competitors who have not expressed an intention to sell their business because customers may perceive that such relationships are likely to be more stable. If we fail to complete the proposed sale of the Cost Containment Business, the failure to maintain existing business relationships or enter into new ones could adversely affect our business, results of operations and financial condition. In addition, if we fail to complete the proposed sale of the Cost Containment Business, we will retain and continue to operate the Cost Containment Business, and our operating losses and depletion in cash reserves could continue. The result would have a material, negative impact on the value of our company, which could result in a total loss of your investment.

You will not receive any of the proceeds from the sale of the Cost Containment Business.

The purchase price for the assets of the Cost Containment Business will be paid directly to us or our creditors. We intend to pay off a portion of our indebtedness with the proceeds of the sale of our Cost Containment Business. Therefore, no proceeds will be received by our shareholders as a result of the sale.

The Stock Purchase Agreement may expose us to contingent liabilities.

Under the Stock Purchase Agreement, we indemnify CAI for the breach or violation of any representation, warranty or covenant made by us in the Stock Purchase Agreement, subject to certain limitations. Significant indemnification claims by CAI could have a material adverse effect on our financial condition. Claims for indemnification for breach of certain covenants, agreements or other matters agreed to by us in the Stock Purchase Agreement are not subject to the $3.0 million held in escrow.

We will be prohibited from competing with the Cost Containment Business for three years from the date of the closing.

The Stock Purchase Agreement provides that for a period of three years after the closing of the transaction, we will not compete, directly or indirectly, with the Cost Containment Business or directly or indirectly own an interest in, manage, operate, control, as a partner, shareholder or otherwise, any person that engages in the business of cost containment, including repricing of medical claims among healthcare providers and insurance and other payors.

Special Risk Considerations Regarding the Remaining Business Assuming the Cost Containment Business is Sold:

In order to achieve our stated objectives, we need to engage in a substantial development program of our EDI Business that will require successful execution and sufficient working capital.

Following the sale of the Cost Containment Business, our strategy will be to focus on maintaining and developing our core EDI Business. We cannot assure you that we will successfully manage the challenges facing the EDI Business or that we will have sufficient working capital to maintain or develop the EDI Business as we intend. We may not be able to attract or retain sufficient numbers of customers to maintain and improve the operating performance of our EDI Business without the cross-selling opportunities afforded by the Cost Containment Business. Our management may not be able to effectively implement our EDI Business development program and internal growth strategy simultaneously. Any failure to maintain established customer relationships or expand our customer base for the EDI Business could lead to further operating losses and have a negative impact on our future results. We cannot readily predict the timing or success of our EDI Business development plan. While we are in discussions with our current lender to develop a financing plan for funding the remaining business, there can be no assurance that this funding will be available, or if available, that it will be available on acceptable terms.

Our company could be materially adversely affected as a result of EDI Business risks.

We may not be able to successfully manage our operations with a significantly reduced workforce and a greater focus on the EDI Business. Operating synergies or cross-marketing opportunities may exist between the Cost Containment Business and the EDI Business that we will miss after the sale of the Cost Containment Business. Additionally, any future growth in our EDI Business may increase the demands on our management, our internal systems, procedures and controls. We may be unable to successfully implement improvements to our information and control systems associated with our EDI Business in an efficient or timely manner.

The adoption rate of electronic processing of clinical transactions in the healthcare industry may have an adverse impact on our operations.

Our strategy anticipates that electronic processing of clinical healthcare transactions will become more widespread and that providers and third-party institutions increasingly will use electronic transaction processing networks for the processing and transmission of data. The rate at which providers adopt the use of electronic transmission of clinical healthcare transactions (and, in particular, the use of the Internet to transmit them) continues to be slow and the continued conversion from paper-based transaction processing to electronic transaction processing in the healthcare industry, using proprietary healthcare management systems or the Internet, may shift to processors that possess greater competitive advantages than us.

Our profitability will be dependent upon restructuring and executing planned cost savings.

The pro forma financial statements included in this Proxy Statement show significant operating losses for the periods presented. These pro forma financial statements do not reflect any planned cost savings that we expect to realize from restructuring of our overhead cost structure after the sale of the Cost Containment Business. If our cost reduction efforts are ineffective or our estimates of costs savings are inaccurate, our profitability could be negatively impacted. We may not be successful in achieving the operating efficiencies and operating cost reductions expected from these efforts, and may experience business disruptions associated with the restructuring and cost reduction activities. Further, cost reduction benefits may be realized later than expected, and the costs of implementing these measures may be greater than anticipated. If these efforts are not successful, we intend to undertake additional cost reduction efforts, which could result in future charges.

A significant amount of the revenues in our EDI Business is from one customer. Loss of this relationship may adversely affect our profitability.

For the years ended December 31, 2006, 2005 and 2004, approximately 6%, 8% and 8%, respectively, of consolidated revenues and 13%, 17% and 16%, respectively, of our EDI Business revenues were from one customer.

Table of Contents

The loss or decline in business from this customer could have a material impact on the operating performance of our EDI Business.

The market for our products and services is affected by changing technology and if we fail to anticipate and adapt to such changes, our results of operations may suffer.

The market in which our EDI Business competes is characterized by technological change, new product introductions, evolving industry standards and changing needs of customers. Our future success will depend on our ability to anticipate and adapt to changes in technology and industry standards. If we fail to successfully manage the challenges of rapidly changing technology, our results of operations may suffer.

Market factors could cause a decline in spending for healthcare electronic data information processing, adversely affecting our financial results.

Our revenue and profitability depend on the overall demand for our products and services. Delays or reductions in demand for healthcare electronic data processing and services by end users could materially adversely affect the demand for our products and services. If competition for our products and services causes the prices we charge customers to decrease, our business, results of operations or financial condition could be materially adversely affected.

PROPOSAL NO. 1

APPROVAL OF THE SALE OF THE COST CONTAINMENT BUSINESS

General

Pursuant to the Stock Purchase Agreement, we will sell to CAI, acting through CCB, our Cost Containment Business, which includes all of the equity interests that relate to each of our Cost Containment Subsidiaries. Upon consummation of the proposed sale of the Cost Containment Business, ownership of the Cost Containment Subsidiaries will be transferred to CCB and the Cost Containment Subsidiaries will become direct subsidiaries of CCB. The sale of the Cost Containment Subsidiaries will constitute the sale of substantially all of our assets that relate to our Cost Containment Business.

The Parties

MedAvant Healthcare Solutions

We are an information technology company that facilitates the exchange of medical claim and clinical information among doctors, hospitals, medical laboratories, and insurance payers. We also enable the electronic transmission of laboratory results. MedAvant is a trade name of ProxyMed, Inc. which was incorporated in 1989 in Florida. In December 2005, ProxyMed began doing business under the new operating name, MedAvant Healthcare Solutions, to unite all business units and employees under one brand identity. Adopting a new name was one of several results of a strategic analysis completed in the third quarter of 2005 following the acquisition of seven companies between 1997 and 2004. One of our core businesses is the Cost Containment Business.

Coalition America, Inc.

CAI is a Georgia corporation based in Atlanta, Georgia that specializes in healthcare cost-containment. CAI offers its clients direct provider contracts, PPO networks and provider negotiations.

CCB Acquisition, LLC

CCB is a Delaware limited liability company and wholly owned subsidiary of CAI formed for the purpose of effectuating CAI s purchase of our Cost Containment Business.

Background of the Proposed Sale of the Cost Containment Business

We believe MedAvant is the nation s fourth largest claims processor, among the top five independent PPOs and the largest company that facilitates delivery of laboratory results. Our PPO is called the National Preferred Provider Network and is accessed by more than 550,000 physicians, 4,000 acute care facilities and 90,000 ancillary care providers. NPPN is the core of our Cost Containment Business. We generate revenue primarily by charging participating payers a percentage of the savings they receive through the Cost Containment Business, including NPPN. Because we operate a PPO, we can offer payers discounts on claims when a patient uses an out-of-network provider and we can negotiate non-discounted claims for payers.

We have faced declining operating performance and revenues in each of our business units for the last several years. In response to declining operating performance and revenues, beginning in the second quarter of 2007, our board began to actively explore strategic alternatives for us. In May 2007, we engaged a financial advisor, Cain Brothers, with respect to, among other things, exploring and evaluating our strategic alternatives, including a sale our entire company or our business units. Cain Brothers contacted approximately forty-nine potential acquirers regarding their interest in our entire company or our business units. Through that process, we did not receive any interest in a business combination or acquisition of our entire company, but we did receive some indications of interest in the purchase of our Cost Containment Business on a stand alone basis as well as interest in our other business units. Cain Brothers and our outside legal counsel, Foley and Lardner, LLP (Foley), communicated regularly with our board of directors throughout the process.

In the process of soliciting potential buyers for our entire company or our business units, CAI and one other alternate buyer expressed serious interest in the purchase of our Cost Containment Business. On June 28, 2007, we received a proposal to purchase the Cost Containment Business from the alternate buyer and engaged in initial negotiations regarding a possible transaction. During the negotiations with the alternate buyer, on July 6, 2007, we received a letter of intent from CAI to acquire the Cost Containment Business. Throughout the month of July, CAI and the alternate buyer conducted due diligence. On July 24, 2007, the alternate buyer submitted a revised proposal to acquire the Cost Containment Business. On the same day, we notified CAI that we were pursuing a transaction with the alternate buyer. On August 3, 2007, the alternate buyer withdrew from the sales process due to the financial performance of our business. On August 17, 2007, we re-engaged in discussions with CAI regarding the sale of our Cost Containment Business. On August 21, 2007, our board met with Cain Brothers and Foley to discuss the status of the potential transaction with CAI or other potential transactions.

On August 24, 2007, our board instructed Cain Brothers to distribute bidding instructions to six interested parties for the acquisition of our Cost Containment Business. Meanwhile, we continued to engage in discussions with CAI and had a due diligence call to discuss the transaction on August 30, 2007. On September 7, 2007, the due date for the bids on our Cost Containment Business, CAI submitted a letter of intent to acquire our Cost Containment Business. None of the other interested parties that we invited to participate in the bidding process submitted a bid for our Cost Containment Business on the due date.

On September 14, 2007, our board met with Cain Brothers and Foley to evaluate and discuss the proposal from CAI on the terms and conditions set forth in CAI s letter of intent. At the meeting, our board determined that the offer from CAI represented a viable option for our shareholders due to the fact that: (i) CAI offered cash immediately upon the closing of the proposed sale of the Cost Containment Business, which could be used to pay off certain liabilities, and (ii) the total value of the CAI offer was acceptable to us. Our board authorized the execution of the letter of intent with CAI on September 14, 2007, which we executed on September 18, 2007.

After we executed the letter of intent with CAI, CAI worked to complete a financial and business due diligence review of our Cost Containment Business; which included meetings with us on September 25 and 26, 2007 as well as a due diligence conference call on October 6, 2007.

On October 16, 2007, we finalized a purchase price of $23.5 million for the Cost Containment Business. CAI indicated that it had received a financing commitment from Merrill Lynch Capital that would provide sufficient funding for payment of the purchase price to us upon the closing of the proposed transaction.

On October 3, 2007, we received a draft agreement that covered the basic terms of the proposed transaction, including that the purchase price for the Cost Containment Business would be $23.5 million in cash, subject to a post-closing adjustment for working capital, and that $3 million of the purchase price would be held in an escrow account to satisfy indemnification claims that CAI might have relating to the purchase of our Cost Containment Business. On October 23, 2007, we met with CAI and its advisors to negotiate the terms of the Stock Purchase Agreement.

Throughout the following weeks, we and our advisors negotiated the terms of the Stock Purchase Agreement with CAI and its advisors. The terms of the Stock Purchase Agreement negotiated by the parties were consistent with prior discussions between our officers and CAI. However, the first draft of the Stock Purchase Agreement contained many provisions that were not addressed, or that were only addressed in general terms, in our prior discussions, such as provisions relating to our representations and warranties regarding the assets associated with the Cost Containment Business to be purchased, our indemnification of CAI against losses arising from the breach of such representations and warranties, the purchase price adjustment, the conditions to closing the sale of the Cost Containment Business, the restrictions on our ability to operate our business prior to the closing of the sale and each party s right to terminate the Stock Purchase Agreement on or before the closing.

Cain Brothers and Foley met with our board on November 2, 2007 to discuss the various terms of the Stock Purchase Agreement. On November 4, we met with CAI and its advisors to discuss the transition of the Cost Containment Business.

On November 7, 2007, our board convened a meeting to review the Stock Purchase Agreement and the proposed sale of the Cost Containment Business in accordance with the terms and conditions set forth in the Stock

Purchase Agreement. All of our directors attended this meeting. In addition, members of our management team, together with representatives of Foley and Cain Brothers attended this meeting. At the meeting, representatives of Foley and Cain Brothers reviewed the terms of the Stock Purchase Agreement and other related matters. Our board discussed the terms of the proposed sale of the Cost Containment Business, after which our board determined that entry into the Stock Purchase Agreement and completion of the proposed sale of the Cost Containment Business were in the best interests of the Company and our shareholders. Our board then approved (i) the Stock Purchase Agreement, (ii) the related transaction agreements, and (iii) the proposed sale of our Cost Containment Business to CAI on the terms set forth in those agreements, and authorized management to execute the transaction agreements on our behalf.

On November 8, 2007, we executed the Stock Purchase Agreement with CAI and we publicly announced the transaction.

Past Contacts, Transactions or Negotiations

Other than as described in the Background and Material Terms of the Proposed Sale of the Cost Containment Business, we and CAI have had prior contacts and negotiations. In 2005, CAI had discussions with us about establishing a business relationship to access our NPPN provider network. These discussions eventually led to us entering a contract with CAI effective April 1, 2006 whereby CAI could access our NPPN provider network.

On August 29, 2005, CAI s chief executive officer called our chief executive officer to discuss the merits of a business combination. The parties entered into a non-disclosure agreement on January 16, 2006. The chief executive officers of both parties met on March 29, 2006 and discussed the merits of a business combination.

From August 2, 2006 through October 25, 2006, representatives of the parties periodically met to discuss a possible business combination.

There were no further contacts with CAI until we retained Cain Brothers.

Reasons for the Proposed Sale of the Cost Containment Business

Our board determined that the proposed sale of the Cost Containment Business is in our best interests and the best interests of our shareholders after considering a number of factors, including the following factors that weigh in favor of the proposed sale of the Cost Containment Business:

- the level of revenue and expenses that could be expected from operating our Cost Containment Business as currently constituted;
- our inadequate working capital for ordinary operations, resulting in part from deteriorating revenues in the Cost Containment Business, which places an ongoing burden on us and causes significant issues with vendors and other trade creditors;
- our expectation that certain savings will result from our eliminating our Cost Containment Business;
- Laurus requires us to enter a definitive purchase agreement with respect to the sale of one of our business units;
- our belief that scaling down our operations relating to our Cost Containment Business would likely result in a substantial loss of customers, and that the remaining revenue would not be enough to sustain the scaled-down operations;

our inability to accomplish other strategic alternatives, including mergers with other companies and other business combinations for us as a whole;

our belief that additional time and resources would be needed to locate and negotiate with any other potential acquirers or purchasers for the assets related to the Cost Containment Business, with no assurance that any such negotiations would be completed successfully, in a timely fashion, or at all;

our belief that the value of our assets would continue to decline with the passage of time;

our belief that the total transaction value of $23.5 million in cash was greater than the liquidation value of the Cost Containment Business; and

our belief that the proposed sale of the Cost Containment Business would maximize the amount of cash available for us to reduce our outstanding debt and operate our remaining businesses.

In its review of the proposed sale of the Cost Containment Business, our board also considered a number of factors that weigh against the proposed asset sale, including:

the risk that the proposed sale of the Cost Containment Business might not be completed and the effect a public announcement of the proposed sale on key customer accounts and on our ability to attract and retain personnel;

the risk that closing of the proposed sale may be delayed, resulting in our incurring more losses, depleting more of our cash reserves, and causing Laurus to exercise its rights under our loan agreements, under which we are currently in default, including its right to foreclose on all of our assets;

the risk that eliminating instead of selling our Cost Containment Business and operating solely as a health claim electronic data information processing and lab communications services company is not certain to sustain even our scaled-down operations given our continuing liabilities and operating expenses; and

the net value to our Company from the proposed sale of the Cost Containment Business based on the cash purchase price (subject to possible adjustment after closing) minus the transaction costs may be less than the value obtained from operating the Cost Containment Business long term.

The foregoing list comprises the material factors considered by our board in its consideration of the proposed sale of the Cost Containment Business. In view of the wide variety of factors considered, our board did not find it practicable to quantify or otherwise assign relative weight to the specific factors considered. However, after taking into account all of the factors set forth above, both positive and negative, our board determined that the proposed sale of the Cost Containment Business is in the best interests of the Company and our shareholders and that we should proceed with the proposed sale.

Effect of the Sale of the Cost Containment Business on MedAvant and Our Shareholders

If our shareholders approve the sale of the Cost Containment Business, then we will seek to complete the sale. Following the completion of the sale of the Cost Containment Business, $16.5 million of the proceeds from the sale will be used to pay down a portion of the amount owed to Laurus while the remaining $4.0 million will be used to pay transaction costs, outstanding accounts payable, and other debt of the Cost Containment Business. Three million dollars of the purchase price will be placed in escrow pursuant to the terms of an Escrow Agreement. The purchase price will also be subject to adjustment based upon net working capital levels at closing.

We remain in discussions with Laurus regarding the status of our Loan Agreement and October Amendment discussed below (see Laurus Financing). At the same time, we are refining plans for our remaining business units while working with Laurus to develop a modified line of credit based on the reduced debt resulting from the sale of our Cost Containment Business. We will also continue to review product offerings, staffing, and other efficiencies arising from the more focused and streamlined organization following the sale, all of which affect our liquidity.

Our ability to have sufficient cash and cash equivalents on hand or available to us to fund our operations and capital requirements through September 2008 is dependent on the successful closing of the sale of our Cost Containment

Business, which reduces our existing debt levels, and to obtain a revised line of credit from Laurus or another party. There can be no assurance that this additional funding will be available to us, or if available, that it will be available on acceptable terms. If we are successful in obtaining additional financing, the terms of the financing may have the effect of significantly diluting or adversely affecting the holdings or the rights of the holders of our common stock. We believe that if we are not successful in obtaining additional financing and if we are unable to close the sale of our Cost Containment Business, we may not be able to continue operations. In addition, we would continue to be in default under the terms of our agreement with Laurus, our senior secured lender, who has reserved all rights with respect to such default and who may exercise such rights under such circumstances, including its right to foreclose on all of our assets.

Laurus Financing

On December 7, 2005, we and certain of our wholly-owned subsidiaries, entered into a security and purchase agreement (the Loan Agreement) with Laurus to provide up to $20.0 million in financing to us.

Under the terms of the Loan Agreement, Laurus extended financing to us in the form of a $5.0 million secured term loan (the Term Loan) and a $15.0 million secured revolving credit facility (the Revolving Credit Facility). The Term Loan has a stated term of five years and accrues interest at Prime plus 2%, subject to a minimum interest rate of 8%. The Term Loan is payable in equal monthly principal installments of approximately $89,300 plus interest until the maturity date on December 6, 2010. The Revolving Credit Facility has a stated term of three years and accrues interest at the 90 day LIBOR rate plus 5%, subject to a minimum interest rate of 7%, and a maturity date of December 6, 2008 with two one-year extension-options at the discretion of Laurus. Additionally, in connection with the Loan Agreement, we issued 500,000 shares of our common stock to Laurus that were valued at approximately $2.4 million at the time of issuance.

We granted Laurus a first priority security interest in substantially all of our present and future tangible and intangible assets (including all intellectual property) to secure our obligations under the Loan Agreement. The Loan Agreement contains various customary representations and warranties by us as well as customary affirmative and negative covenants, including, without limitation, liens on property, maintaining specific forms of accounting and record maintenance, and limiting the incurrence of additional debt. The Loan Agreement does not contain restrictive covenants regarding minimum earning requirements, historical earning levels, fixed charge coverage, or working capital requirements. Per the Loan Agreement, we are required to maintain a lock box arrangement where monies are automatically swept to repay the loan balance of the revolving credit facility.

The Loan Agreement also contains customary events of default, including, among others, non-payment of principal and interest, violation of covenants, and in the event we are involved in certain insolvency proceedings. Upon the occurrence of an event of default, Laurus is entitled to, among other things, accelerate all obligations. In the event Laurus accelerates the loans, the amount due will include all accrued interest plus 120% of the then outstanding principal amount of the loans being accelerated as well as all unpaid fees and expenses of Laurus. In addition, if the Revolving Credit Facility is terminated for any reason, whether because of a prepayment or acceleration, we must pay an additional premium of up to 5% of the total amount of the Revolving Credit Facility. In the event we elect to prepay the Term Loan, we must pay accrued interest plus 115% of the then outstanding principal amount of the Term Loan. Due to certain subjective acceleration clauses contained in the agreement and a lockbox arrangement, the revolving credit facility is classified as current in the accompanying unaudited consolidated balance sheet.

On June 21, 2007, we entered into an Amendment to the Loan Agreement (the June Amendment) with Laurus increasing the amount available under the Revolving Credit Facility by $3.0 million to $18.0 million. The June Amendment has a maturity date of June 30, 2008. During the term of the June Amendment, the revised amounts available under the Revolving Credit Facility decrease, as defined in the June Amendment, and the amount available under the revolving credit facility at June 30, 2008 will return to $15.0 million as committed under the original Loan Agreement. In connection with the June Amendment, we issued 572,727 shares of our common stock to Laurus that were valued at approximately $1.0 million. The costs of these shares were capitalized as debt issuance costs and will be amortized over the term of the June Amendment.

We revised our estimate of revenue allowances and the allowance for doubtful accounts for the period ended June 30, 2007. These changes in estimates negatively impacted our availability under the Revolving Credit Facility (which is based on an earnings formula as defined in the Loan Agreement) and resulted in an overadvance on available borrowings at June 30, 2007. Subsequent to June 30, 2007, we obtained a waiver from Laurus regarding this overadvance on our available borrowings until June 30, 2008.

On October 10, 2007, we entered into an Amendment to the Loan Agreement (the October Amendment) in which Laurus has agreed to fix the available revolving credit facility at $16.5 million through December 31, 2007 in the event that certain conditions are met on dates specified in the October Amendment. The October Amendment supersedes the June Amendment. In consideration for the October Amendment, the Company has agreed to pay

Laurus $1.25 million as follows: (i) $1.0 million on October 10, 2007 and (ii) $0.25 million on the earlier of (a) an event of default under the Loan Agreement and October Amendment, if any, or (b) December 31, 2007.

On November 1, 2007, Laurus notified us that an Event of Default had occurred by our failure to execute an asset purchase or stock purchase agreement for the disposition of certain assets by October 31, 2007 as required by the terms of the October Amendment. In addition, Laurus notified us that it was taking no immediate action with respect to this Event of Default, but would reserve all right and remedies available to Laurus under the Loan Agreement and October Amendment. As a result of this Event of Default, we have classified all amounts due to Laurus as current liabilities in the accompanying unaudited consolidated balance sheet at September 30, 2007.

Laurus has indicated to us that it will consent to the proposed sale of our Cost Containment Business pursuant to the terms of the Stock Purchase Agreement.

Opinion of Financial Advisor to the Board of Directors

Our board of directors retained Cain Brothers to act as our exclusive financial advisor in connection with potential strategic transactions. Cain Brothers was selected by our board of directors because of Cain Brothers reputation and expertise as an investment banking firm and its familiarity with our company. As part of its investment banking business, Cain Brothers is regularly engaged in the valuation of businesses and securities in connection with mergers and acquisitions and related transactions and valuations for corporate and other purposes in the healthcare services and medical technology markets.

In accordance with the terms of its engagement letter with us, Cain Brothers, at the board s request and with the approval of Cain Brothers Valuation Committee, delivered an oral opinion (which opinion was subsequently confirmed in writing) to the board of directors at a meeting of the board on November 7, 2007. Cain Brothers, on the basis of its analyses and review and in reliance on the accuracy and completeness of the information furnished to it and subject to the limitations, qualifications and assumptions noted below and in the full text of its opinion, rendered its opinion to our board of directors that, as of November 7, 2007, the $23.5 million consideration to be received by us for the sale of the Cost Containment Business (the Transaction Consideration) is fair to us from a financial point of view.

Pursuant to Cain Brothers engagement letter, Cain Brothers was not retained for the purpose of making a recommendation, nor did it make a recommendation, as to the amount of the Transaction Consideration, which was determined in arm s length negotiations between Buyer and us. We imposed no restrictions or limitations upon Cain Brothers with respect to the investigations made or the procedures followed by Cain Brothers in rendering its opinion.

The full text of Cain Brothers opinion, which sets forth, among other things, assumptions made, procedures followed, matters considered and limitations on the scope of the review undertaken by Cain Brothers in rendering its opinion, is attached as Appendix B to this Proxy Statement and is incorporated herein by reference in its entirety. You are urged to, and you should, read the Cain Brothers opinion carefully and in its entirety. The summary of the Cain Brothers opinion in this Proxy Statement is qualified in its entirety by reference to the full text of the Cain Brothers opinion.

Cain Brothers opinion was provided for the benefit and use of our board of directors in connection with its evaluation of the sale of the Cost Containment Business. Cain Brothers opinion addresses only the fairness to us, from a financial point of view, of the Transaction Consideration. Because Cain Brothers opinion addresses only the fairness of the Transaction Consideration, it did not express any views on any other terms of the sale of the Cost Containment Business, including without limitation any possible reduction in the total consideration received by us in the transaction based upon the adjustments provided for in the Stock Purchase Agreement or otherwise, and Cain Brothers did not express any opinion about the fairness of the amount or nature of any compensation to any officers, directors or employees of us or the Business, or class of such persons, relative to the compensation to us.

Cain Brothers opinion does not address the merits of our entering into the Stock Purchase Agreement as compared to any alternative business transaction or strategy that might have been available to us or our underlying business decision to effect the sale of the Cost Containment Business, nor does it address the tax consequences to us arising from the sale of the Cost Containment Business and it does not constitute a recommendation to any

Table of Contents

shareholder as to how such shareholder should vote or act on any matter relating to the sale of the Cost Containment Business. The opinion does not address the value of our company or our viability as a going concern after the consummation of the sale of the Cost Containment Business. In addition, Cain Brothers did not opine as to the market value or the prices at which any of our securities may trade at any time in the future.

Cain Brothers opinion spoke only as of the date it was rendered, was based on the economic, market and other conditions as they existed and information with which it was supplied as of such date and was without regard to any market, economic, financial, legal, tax or other circumstances or event of any kind or nature which might exist or occur after such date. Unless otherwise noted, all of Cain Brothers analyses were performed based on information available as of November 6, 2007.

For purposes of its opinion, Cain Brothers, among other things:

Reviewed a draft stock purchase agreement dated as of November 6, 2007 (including the draft disclosure schedules thereto) and participated in certain negotiations with Buyer;

Reviewed certain financial, business and other information about the Cost Containment Business that was publicly available or provided to Cain Brothers by us;

Reviewed certain internal financial forecasts and projections for the Cost Containment Business that were provided to Cain Brothers by us, taking into account its historical and current fiscal year financial performance and adjusted to reflect corporate overhead allocations;

Held discussions with us and the Cost Containment Business management regarding its prospects and financial outlook and the operating plans of the Business;

Reviewed the valuation in the public market of companies in businesses that Cain Brothers deemed similar to that of the Cost Containment Business to assist in Cain Brothers analyses;

Reviewed public information with respect to recent acquisition transactions that Cain Brothers deemed comparable to the proposed sale of the Cost Containment Business to assist in Cain Brothers analyses;

Solicited interest from certain prospective candidates to a strategic transaction involving the Cost Containment Business or us, selected by us in consultation with Cain Brothers, and analyzed their responses; and

Reviewed such other financial studies, performed such other analyses and investigations and took into account such other matters as Cain Brothers deemed appropriate.

Cain Brothers noted that events occurring after the date it rendered its opinion may affect that opinion and the assumptions used in preparing it, and that Cain Brothers did not assume any obligation to update, revise, reaffirm or withdraw its opinion or to otherwise comment upon events occurring after its date. We announced our results of operations for the quarter ended September 30, 2007 subsequent to the date Cain Brothers rendered its opinion. Those results differed from preliminary information utilized by Cain Brothers in its analyses. At our request, Cain Brothers reviewed our results as announced and has advised us that the differences between those results and the information utilized in its analyses did not change its opinion described below.

In connection with its review, Cain Brothers did not assume any responsibility for independent verification of any of the financial information, forecasts and other information provided to it by us or that was publicly available to it and its opinion is expressly conditioned on such information being complete and accurate. With respect to the financial information, financial forecasts and other information with respect to the Cost Containment Business, including any adjustments thereto, that Cain Brothers reviewed, Cain Brothers was advised, and assumed, that such forecasts and such other information were reasonably prepared on bases reflecting the best currently available estimates and good faith judgments of our management team as to the future competitive, operating and regulatory environments and related financial performance of the Cost Containment Business. Cain Brothers discussed such forecasts, and the assumptions on which they were based, with the Company s and the Business senior management, but Cain Brothers assumed no responsibility for and expressed no view as to such forecasts or the assumptions on which they were based. Cain Brothers was not requested to make, and did not make, an independent evaluation or appraisal of assets or liabilities of the business (contingent or otherwise) or conduct a comprehensive physical inspection of any of the assets of the business, nor was Cain Brothers furnished with any such evaluations or appraisals or reports of such physical inspections, nor has Cain Brothers assumed any responsibility to obtain any such evaluations, appraisals or reports. Cain Brothers relied on advice of our legal counsel as to all legal and tax matters with respect to us and the Transaction and did not make any independent assessment of such matters. The Cain Brothers opinion necessarily is based upon information available to Cain Brothers as of the date of the opinion and upon financial, economic, market and other conditions as they existed and could be evaluated on the date of the opinion. In addition, Cain Brothers assumed that the sale of the Cost Containment Business would be completed upon the terms set forth in the Stock Purchase Agreement without waiver or modification of any material terms.

In preparing its opinion to our board of directors, Cain Brothers performed a variety of financial and comparative analyses. The preparation of a fairness opinion is a complex process and is not necessarily susceptible to partial analysis or summary description. Cain Brothers believes that its analyses must be considered as a whole and that selecting portions of its analyses and of the factors considered by it, without considering all analyses and factors, could create a misleading or incomplete view of the processes underlying its opinion. No company or transaction used in the analyses performed by Cain Brothers as a comparison is identical to the Cost Containment Business or to the proposed sale of the Cost Containment Business. In addition, Cain Brothers may have given various analyses more or less weight than other analyses, and may have deemed various assumptions more or less probable than other assumptions, so that the range of valuation resulting from any particular analysis described below should not be taken to be Cain Brothers view of the actual value of the Cost Containment Business. In performing its analyses, Cain Brothers made numerous assumptions with respect to industry performance, general business and economic conditions and other matters, many of which are beyond our control. Any estimates contained in analyses performed by Cain Brothers are not necessarily indicative of actual values or actual future results, which may be significantly more or less favorable than those suggested by such analyses. In addition, analyses relating to the value of businesses or assets do not purport to be appraisals or to necessarily reflect the prices at which businesses or assets may actually be sold. The analyses performed were prepared solely as part of Cain Brothers analysis of the fairness as of the date of the opinion, from a financial point of view, of the Transaction Consideration and were provided for the use of our board of directors in connection with the delivery of Cain Brothers opinion.

The following is a brief summary of the material analyses performed by Cain Brothers in connection with the preparation of its opinion, and presented to our board of directors at its meeting held on November 7, 2007. Cain Brothers notes that, while it believes that it has performed such analyses as are necessary to provide a reasonable basis for its opinion, we have not prepared a long-term financial forecast for the Cost Containment Business, and Cain Brothers therefore was unable to perform the discounted cash flow analysis that would customarily constitute part of its procedures. References to revenue, EBITDA (as defined below) and Adjusted EBITDA (as defined below) of the Business refer to such items derived from the historical and projected financial results of the Cost Containment Business, as adjusted by our management to reflect corporate overhead allocations, which we refer to above and which were provided to Cain Brothers by management. Certain of the summaries of the financial analyses include information presented in tabular format. In order to understand fully the material financial analyses used by Cain Brothers, the tables should be read together with the text of each summary. The tables alone do not constitute a complete description of the material financial analyses.

Precedent Transactions Analysis

Using publicly available information for transactions completed since January 1, 1999, Cain Brothers analysis included a review of 41 transactions involving companies in the Preferred Provider Organization (PPO) and managed care industry (the Precedent Transactions Analysis). No transaction utilized as a comparison in the Precedent Transactions Analysis is identical to the proposed sale of the Cost Containment Business nor is any target company identical to the Cost Containment Business. Accordingly, consideration of the results cannot be limited to a quantitative review of the mathematical analysis, such as determining the mean or median, and involves complex considerations and judgments concerning differences in industry performance, general business, economic, market and financial conditions and other matters concerning the companies as well as the Cost Containment Business.

Date	Acquiror	Target
10/01/07	Viant Holdings, Inc.	Texas True Choice, Inc.
06/01/07	Concentra Operating Corporation	ppoNEXT, Inc.

Table of Contents

Date	Acquiror	Target
04/26/07	Coventry Health Care, Inc.	Group Health Insurance Businesses from Mutual of Omaha
10/12/06	MedAvant Healthcare Solutions	Medical Resource, LLC
01/26/06	Humana, Inc.	CHA HMO, Inc.
12/02/05	Consolidated Services Group, Inc.	CHN Solutions (Selective Insurance Group, Inc.)
10/03/05	Concentra Operating Corporation	Beech Street Corporation
07/01/05	Unitedhealth Group, Inc.	Neighborhood Health Partnership, Inc.
06/24/05	Aetna, Inc.	HMS Healthcare, Inc.
11/22/04	JLL Partners, Inc.	Medical Card System, Inc.
10/15/04	Coventry Health Care, Inc.	First Health Group Corp.
08/02/04	KRG Capital Partners, L.L.C.	PPOM, LLC
07/20/04	Private Healthcare Systems, Inc.	American Lifecare, Inc.
07/02/04	University Health Care, Inc. (University of Wisconsin Health Care System)	Unity Health Plans Insurance Corp.
04/19/04	First Health Group Corp.	COMP Medical
04/03/04	UnitedHealth Group, Inc.	Touchpoint Health Plan, Inc.
01/02/04	MultiPlan, Inc.	BCE Emergis Corporation
12/19/03	Humana, Inc.	Ochsner Health Plan (Ochsner Clinic Foundation of New Orleans)
12/08/03	ProxyMed, Inc.	PlanVista Corporation
12/01/03	First Health Group Corp.	PPO Oklahoma, Inc.
10/31/03	First Health Group Corp.	Health Net Employer Services, Inc.
09/10/03	Interplan Health Group, Inc.	Accountable Health Plans of America, Inc.
07/09/03	Coventry Health Care, Inc.	Altius Health Plans, Inc.
04/03/03	The Health Plan of Upper Ohio Valley, Inc.	HomeTown Health Network
09/30/02	The Chandler Group of Companies, Inc.	The Preferred Plan, Inc.
09/16/02	Coventry Health Care, Inc.	Mid-America Health Partners, Inc.
05/16/02	CorVel Corp.	AnciCare PPO, Inc.
05/15/02	First Health Group Corp.	HealthCare Value Management, Inc.
01/28/02	Anthem, Inc.	Maine Partners Health
12/21/01	Oxford Health Plans LLC	MedSpan, Inc.
05/21/01	First Health Group Corp.	CCN Managed Care, Inc.
04/13/01	Blue Cross and Blue Shield of Kansas City	TriSource Healthcare, Inc.
01/01/01	Florida Health Plan Holdings II LLC	Foundation Health Corp.
12/22/00	Blue Cross & Blue Shield United of Wisconsin	United Wisconsin Services, Inc.
09/30/00	The Carlyle Group	ConnectiCare, Inc.
07/07/00	Coventry Health Care, Inc.	WellPath Community Health Plans (Duke University Health System)
03/31/00	Health Care Services Corp	Blue Cross & Blue Shield of New Mexico
11/18/99	Humana, Inc.	Memorial Sisters of Charity Health Network
11/04/99	PacifiCare Health Systems, Inc.	Harris Methodist Health Plans
07/13/99	Anthem, Inc.	Blue Cross and Blue Shield of Maine
02/19/99	Anthem, Inc.	Blue Cross and Blue Shield in New Hampshire

In conducting its analysis, Cain Brothers compared, among other things, the enterprise value of the Cost Containment Business implied by the Transaction Consideration expressed as a multiple of the Cost Containment Business last

12 months (LTM) ended September 30, 2007 revenue and earnings before interest, taxes, depreciation and amortization (also referred to as EBITDA) as well as adjusted EBITDA, revenue and earnings before interest, taxes, depreciation and amortization and non-certain recurring charges (Adjusted EBITDA). For

21

each of the precedent transactions, Cain Brothers calculated a multiple of LTM revenue and EBITDA to the enterprise value for each transaction for which information was available, as of the announced date of each transaction, and compared such multiples to the corresponding multiples implied by the proposed Transaction.

MedAvant Cost Containment Business Valuation			Precedent Transaction Valuations			
Enterprise Value as a Multiple of:	Financial Metric(1)	Implied Transaction Multiple	Low	Mean	Median	High
	($ in millions)					
LTM as of 9/30/07 Revenue	$ 20.0	1.2x	0.1x	1.0x	0.3x	3.3x
LTM as of 9/30/07 EBITDA	$ (13.8)	NM	4.1x	7.5x	6.4x	14.1x
LTM as of 9/30/07 Adjusted EBITDA(2)	$ 2.3	10.1x	4.1x	7.5x	6.4x	14.1x

(1) Source: Company reports

(2) Adjusted EBITDA excludes impairment charge and bad debt expense.
LTM = Latest Twelve Months; NM = Not Meaningful.

Based on this analysis, Cain Brothers compared the Cost Containment Business s implied enterprise value multiples at the Transaction Consideration to the implied range of enterprise value multiples of the precedent transactions. Cain Brothers noted that the Cost Containment Business s implied multiples at the Transaction Consideration, where meaningful, fall within the multiple ranges of the precedent transactions.

Comparable Company Analysis

To provide contextual data and comparative market information, Cain Brothers compared selected historical and projected operating and financial ratios of the Cost Containment Business to certain publicly traded companies with market capitalizations below $10 billion that participate predominantly, or in part, in the managed care services industry (the Comparable Company Analysis). These comparable companies consisted of:

America Service Group, Inc.

CorVel Corp.

Coventry Health Care, Inc.

Health Net, Inc.

Metropolitan Health Networks, Inc.

National Medical Health Card Systems, Inc.

Prospect Medical Holdings, Inc.

In conducting its analysis, Cain Brothers compared, among other things, the enterprise value of the Cost Containment Business implied by the Transaction Consideration expressed as a multiple of the Cost Containment Business last 12 months (LTM) ended September 30, 2007, projected 2007 and projected 2008 revenue, EBITDA and Adjusted EBITDA Cain Brothers then compared these multiples to the respective low, mean, median and high enterprise value multiples of the comparable companies implied by the public trading value of their common stock based on the closing price on November 6, 2007. Cain Brothers reviewed the comparable companies financials as of November 6, 2007 to calculate specified financial and operating information (as adjusted for one time or unusual items that were publicly disclosed), market values and trading multiples (as described below). Estimated financial data for the comparable public companies were based on the most recent public filings and Wall Street consensus estimates. Wall Street estimates are based on numerous variables and assumptions which are inherently unpredictable and cannot be considered certain or accurate as projected. Accordingly, actual results of these analyses are subject to substantial uncertainty and could vary significantly from those set forth in such estimates. Cain Brothers assumes no responsibility for and expresses no view as to any of these estimates or the assumptions on which they were based.

Although Cain Brothers used these companies for comparative purposes, no company utilized in the Comparable Company Analysis is identical to the Cost Containment Business. Accordingly, consideration of the results of the Comparable Company Analysis cannot be limited to a quantitative review of the mathematical analysis, such as determining the average or median, and involves complex considerations and judgments concerning differences in industry performance, general business, economic, market and financial conditions and other matters concerning the companies as well as the Cost Containment Business.

MedAvant Cost Containment Business Valuation			**Comparable Company Valuations**			
Enterprise Value as a Multiple of:	**Financial Metric(1)**	**Implied Transaction Multiple**	**Low**	**Mean**	**Median**	**High**
			($ in millions)			
LTM as of 9/30/07 Revenue	$ 20.0	1.2x	0.2x	0.6x	0.5x	1.2x
2007E Revenue	$ 19.4	1.2x	0.2x	0.6x	0.4x	1.3x
2008E Revenue	$ 19.7	1.2x	0.2x	0.4x	0.4x	0.9x
LTM as of 9/30/07 EBITDA	$ (13.8)	NM	5.4x	8.5x	9.3x	10.8x
LTM as of 9/30/07 Adjusted EBITDA(2)	$ 2.3	10.1x	5.4x	8.5x	9.3x	10.8x
2007E EBITDA	$ (13.9)	NM	5.5x	7.8x	8.3x	9.1x
2007E Adjusted EBITDA(2)	$ 2.2	10.6x	5.5x	7.8x	8.3x	9.1x
2008E EBITDA	$ 3.6	6.5x	6.5x	6.9x	6.7x	7.7x

(1) Source: Company reports

(2) Adjusted EBITDA excludes impairment charge and bad debt expense.
NM = Not Meaningful.

Based on this analysis, Cain Brothers compared the Cost Containment Business s implied enterprise value multiples at the Transaction Consideration to the implied range of enterprise value multiples of the comparable public companies. Cain Brothers noted that the Cost Containment Business s implied multiples based on the Transaction Consideration, where meaningful, fall within or exceed the multiple ranges of the comparable public companies.

Summary of Analyses

Based on the analyses described above, Cain Brothers noted that, where meaningful, the Transaction Consideration was within or exceeded the implied valuation range resulting from the two analyses. In reaching its opinion with respect to the fairness of the Transaction Consideration to us from a financial point of view, Cain Brothers did not assign any particular weight to any one analysis or the results yielded by that analysis. Rather, having reviewed these results in the aggregate together with certain qualitative considerations including operational, financial and market-related challenges facing us and the Cost Containment Business, Cain Brothers exercised its professional judgment and determined that, based on the aggregate of the analyses used and the results they yielded, the Transaction Consideration was fair to us from a financial point of view as of the date of its opinion.

Pursuant to our engagement letter with Cain Brothers as currently in effect, we agreed to pay Cain Brothers retainer fees aggregating $0.25 million, an additional $0.25 million upon delivery of its fairness opinion to our board of directors and a transaction success fee, upon the successful closing of the proposed sale of the Cost Containment Business, of $1.0 million, against which the retainer and opinion fees will be credited to the extent previously paid.

In addition to any fees for professional services, we have agreed to reimburse Cain Brothers, upon request, for certain reasonable out-of-pocket expenses incurred in connection with Cain Brothers carrying out the terms of the engagement letter. We have also agreed to indemnify Cain Brothers against claims related to any of the services rendered pursuant to the engagement letter or matters which are the subject of, or arise out of, the engagement of Cain Brothers contemplated by the engagement letter, including liabilities under the federal securities laws.

The foregoing summary does not purport to be a complete description of the analyses performed by Cain Brothers or the terms of its engagement by us. The foregoing summary of the analyses performed by Cain

Brothers is qualified in its entirety by reference to the opinion of Cain Brothers attached as Appendix B to this Proxy Statement.

The Stock Purchase Agreement

The following is a description of the material terms of the Stock Purchase Agreement. The following description does not purport to describe all of the terms and conditions of the Stock Purchase Agreement. The full text of the Stock Purchase Agreement is attached to this proxy statement as Appendix A and is incorporated by reference. You are urged to read the Stock Purchase Agreement in its entirety because it is the legal document that governs the terms and conditions of the proposed sale of the Cost Containment Business.

Structure

The Company s Cost Containment Business is operated by the Cost Containment Subsidiaries. The transaction is structured as the sale of all of the capital stock or equity interests of the Cost Containment Subsidiaries by the Company to CCB, a subsidiary of CAI. The Cost Containment Subsidiaries and their assets will be free of liens and encumbrances other than certain permitted encumbrances. The Cost Containment Subsidiaries will be transferred free of all liabilities except for accounts payable, accrued expenses, customer contracts and an office lease.

Effective Time

The closing of the transaction is anticipated to occur shortly after we obtain shareholder approval and satisfy all other conditions to Closing.

Purchase Price

Pursuant to the Stock Purchase Agreement, CAI has agreed to pay $23.5 million in cash for all the capital stock or equity interests of our Cost Containment Subsidiaries (the Purchase Price). Also, $3.0 million of the Purchase Price will be placed in escrow for one year from the closing (the Closing) to satisfy potential indemnification obligations owed by us to CAI. Of the net proceeds of $20.5 million, approximately $16.5 million will be used to pay down senior debt and approximately $4.0 million will be used to pay transaction costs, outstanding accounts payable, and other debt of the Cost Containment Business.

The Purchase Price is subject to an adjustment based on the final net working capital of the Cost Containment Subsidiaries at Closing. Final net working capital of the Cost Containment Subsidiaries will be calculated 150 days after the Closing. The Purchase Price may then be adjusted upwards or downward depending upon the final net working capital.

Excluded Assets and Retained Liabilities

Certain assets and liabilities related to the Cost Containment Business are excluded from the sale and include:

- any liabilities relating to our Tampa, Florida office lease for our Cost Containment Subsidiaries;
- any liabilities arising from or relating to certain promissory notes executed by us in connection with the Cost Containment Business;
- any liabilities relating to obligations owed to prior employees of the Cost Containment Business;

any liabilities existing prior to the Closing relating to obligations owed to employees of the Cost Containment Business who cease to be employed with any of the Cost Containment Subsidiaries at or before the Closing; and

any liabilities arising from current litigation.

Conduct of Cost Containment Business Prior to the Sale of the Cost Containment Business

We have agreed to customary covenants that from the date of the Stock Purchase Agreement through the effective time of the Closing that require us to, among other things:

provide CAI with reasonable access to our personnel and properties related to the Cost Containment Business;

provide CAI with copies of and reasonable access to our contracts, books and records, and other documents and data relating to our Cost Containment Business;

conduct our Cost Containment Business and related operations, including the collection of accounts receivable, the payments of accounts payable and the processing of health care claims, in the ordinary course and consistent with past practices;

use our commercially reasonable best efforts to keep available the services of our officers, employees and agents who provide services in connection with our Cost Containment Business and to maintain our relations and good will with suppliers, customers, creditors, and other third parties having business relationships with us in connection with our Cost Containment Business;

confer with CAI prior to implementing material operational decisions, if any;

provide periodic reports to CAI regarding the status of our Cost Containment Business, its operations and finances;

maintain and keep in full force and effect, without amendment, any material contracts related to the Cost Containment Business;

maintain and keep in full force and effect insurance coverages and policies, or insurance coverage and policies that are substantially equivalent;

not create, amend, terminate or make any contributions to any employee benefit plan related to our Cost Containment Business without the prior written consent of CAI; and

facilitate the extension of our office lease in the State of New York as such lease relates to our Cost Containment Business.

Employee Matters

On or before the Closing, employees of the Company who provide services for the Cost Containment Subsidiaries (each, a Cost Containment Business Employee) may be interviewed by and offered employment with CAI.

We are responsible for (i) the payment of all wages and remuneration due to the Cost Containment Business Employees with respect to their services as our employees through the close of business on the date of the Closing, (ii) the payment of any termination or severance payments with respect to termination of any Cost Containment Business Employee that occurs on or before the date of the Closing; (iii) the provision of any continuation coverage to Cost Containment Business Employees as required under COBRA; and (iv) the continuation of any accrued benefits of Cost Containment Business Employees pursuant to our retirement plans as of the date of the Closing and the payment of such benefits if and when any Cost Containment Business Employee becomes eligible under our retirement plans.

No employment offers have been made by CAI as of the date of this Proxy Statement.

Representations and Warranties

The Stock Purchase Agreement contains customary representations and warranties made by us to CAI and by CAI to us for purposes of allocating the risks associated with the sale of the Cost Containment Business. The assertions embodied in the representations and warranties made by us are qualified by information set forth in a confidential disclosure schedule that was delivered in connection with the execution of the Stock Purchase

Table of Contents

Agreement. While we do not believe that the disclosure schedule contains information that securities laws require us to publicly disclose, other than information that is being disclosed in this Proxy Statement, the disclosure schedule may contain information that modifies, qualifies and creates exceptions to the representations and warranties set forth in the Stock Purchase Agreement. Accordingly, you should not rely on any of these representations and warranties as characterizations of the actual state of facts, since they may be modified in important respects by the underlying disclosure schedule. Moreover, information concerning the subject matter of the representations and warranties may have changed since the date of the Stock Purchase Agreement, which subsequent information may or may not be fully reflected in the disclosure schedule we delivered to CAI at signing and which may not be delivered by us until the Closing and the consummation of the sale of the Cost Containment Business.

The representations and warranties made by the parties must be accurate in all material respects as of the date of the Stock Purchase Agreement and as of the time of the Closing.

Closing Conditions

CAI s Conditions. CAI s obligation to complete the proposed sale of the Cost Containment Business is subject to certain conditions, including among other things:

- the accuracy in all material respects of all of our representations and warranties in the Stock Purchase Agreement;
- our performance in all material respects of all of our covenants and obligations under the Stock Purchase Agreement to be performed or complied with by us prior to the completion of the proposed sale of the Cost Containment Business;
- our obtaining a consent and release from Laurus that permits us to sell the Cost Containment Business and releases Laurus security interest in our Cost Containment Business;
- our delivery to CAI of releases of all encumbrances on assets, other than certain permitted encumbrances; and
- CAI obtaining sufficient financing.

CAI has obtained a financing commitment from Merrill Lynch Capital, a division of Merrill Lynch Business Financial Services, Inc., to fund the purchase of our Cost Containment Business. The financing commitment is subject to the satisfactory completion by Merrill Lynch of its legal and business due diligence. The financing commitment expires January 31, 2008, but Merrill Lynch will consider extending the commitment date depending upon the condition of CAI, the Cost Containment Subsidiaries and general market conditions.

Our Conditions. Our obligation to complete the proposed sale of the Cost Containment Business is subject to certain conditions, including, among other things:

- the accuracy in all material respects of all of CAI s representations and warranties contained in the Stock Purchase Agreement;
- CAI s performance in all material respects of all of its covenants and obligations under the Stock Purchase Agreement to be performed or complied with by CAI prior to the completion of the proposed sale of the Cost Containment Business;

our obtaining a consent from Laurus that permits us to sell the Cost Containment Business and releases Laurus security interest in our Cost Containment Business; and

the affirmative vote of the holders of a majority of the votes represented by the outstanding shares of our common stock and Series C Preferred Stock, approving the sale of our Cost Containment Business.

No Solicitation of Competitive Proposals and Board Recommendation of Sale of the Cost Containment Business

Under the terms of the Stock Purchase Agreement, we have agreed to immediately cease any discussions with any third party other than CAI with respect to any sale of our Cost Containment Business. In addition, we have agreed not to directly or indirectly solicit, initiate or encourage discussions or take any other action that is intended to facilitate any inquiries or the making of (i) any offer for, or proposed transfer of all or a portion of the assets related to the Cost Containment Business, (ii) any offer for the acquisition of more than 15% or more of our outstanding capital stock whether through merger, consolidation, tender offer, exchange offer or otherwise, or (iii) any proposal or offer regarding any merger, consolidation, business combination, recapitalization, liquidation, dissolution or similar transaction involving us, by a person other than CAI, or participate in any discussions or negotiations regarding the foregoing, directly or indirectly or through our officers, directors, affiliates or representatives. However, we may enter into discussions with a third party other than CAI in respect of proposals or offers of the types described in clauses (ii) and (iii) above if such a proposal specifically authorizes and permits the sale of the Cost Containment Business pursuant to the Stock Purchase Agreement and, with respect to the type of proposals or offers described in clause (ii) above, the third party enters into an agreement to vote any and all shares acquired upon consummation of such a proposed transaction with us in favor of the sale of the Cost Containment Business.

Our board may withdraw, modify, or change its recommendation in favor of approval of the proposed sale of the Cost Containment Business, or approve or recommend an offer or proposal of a type described in clauses (ii)-(iii) above, at any time prior to when our shareholders duly approve the proposed sale of the Cost Containment Business under applicable law, if:

we receive (under circumstances that do not arise out of a breach of the Stock Purchase Agreement) an unsolicited bona fide written inquiry, offer or proposal from a third party to complete a proposed transfer of all or a portion of the assets related to our Cost Containment Business, or any other offer or proposal of a type described in clauses (ii)-(iii) above on terms that our board determines in good faith, after consulting with its financial and legal advisors and taking into account other terms, conditions and aspects of such proposal, to be more favorable to our shareholders than the terms of the proposed sale of the Cost Containment Business to CAI;

our board determines in good faith, after considering applicable law and after consulting with its outside counsel, that, in light of the foregoing proposal, the withdrawing or modifying of its recommendation, or approval of the proposal or offer of a type described in clauses (ii)-(iii) above, is consistent with its fiduciary duties to our shareholders under applicable law; and

we have, or caused our financial and legal advisors to have, negotiated in good faith with CAI to make adjustments to the Stock Purchase Agreement as would enable us to proceed with the sale of the Cost Containment Business before our board acts to withdraw or change its recommendation in favor of the sale of the Cost Containment Business or approve a superior proposal.

Under the terms of the Stock Purchase agreement, we have also agreed to promptly advise CAI of any offer for, or proposed transfer of, all or a portion of the assets relating to our Cost Containment Business, by a third party (whether or not such proposal meets the criteria described above), and the material terms and conditions of such offer or proposal.

Non-Competition and Non-Solicitation

Pursuant to the Stock Purchase Agreement, we have agreed that neither we nor any of our subsidiaries will, directly or indirectly, invest in, own, manage, operate, finance, control, advise, render services to, or guarantee the obligations of anyone engaged in the business of cost containment for a period of three years from the Closing. However, we may purchase or otherwise acquire up to 5% of the securities of an entity engaged in business activities substantially similar to the Cost Containment Business so long as the entity s securities are registered under the Exchange Act or are traded on any national or regional securities exchange. In addition, for a period of three years from the Closing, we have agreed that neither we nor any of our subsidiaries will not, directly or indirectly; solicit the business of a customer of CAI related to the Cost Containment Business; cause, induce or attempt to cause or induce anyone to cease doing business with CAI; or hire, retain or attempt to hire or retain any employee or independent contractor of CAI.

Termination

The Stock Purchase Agreement may be terminated at any time prior to the date of the Closing:

- by mutual written consent of the parties;
- by either party upon written notice to the other party if the Closing does not occur on or prior to April 15, 2008;
- by either party if the satisfaction of a condition to Closing become impossible;
- by either party if the other party has breached any of its representations or warranties, covenants or agreements under the Stock Purchase Agreement;
- by CCB, if a material adverse change has occurred with respect to the Cost Containment Business, taken as a whole;
- by CCB if it fails to obtain sufficient financing to pay the Purchase Price at the Closing on terms no less favorable to CAI than those set forth in a commitment letter obtained from Merrill Lynch prior to signing the Stock Purchase Agreement;
- by us, if our board, in compliance with the requirements of the Stock Purchase Agreement, concludes in good faith after consultation with legal counsel that a proposed transaction with a third party is superior to the terms of the proposed sale of the Cost Containment Business and the failure to terminate the Stock Purchase Agreement in order to enter into a definitive agreement to complete such a superior proposal would be in violation of our board s fiduciary duties;
- by CCB if Laurus either fails to deliver its consent to the sale of the Cost Containment Business prior to January 15, 2008 or does not agree to amend its consent if the payment to Laurus specified in its consent is greater than available proceeds;
- by CCB, if our shareholders have not approved the sale of the Cost Containment Business on or before the earlier of the date of the Special Meeting (or any adjournment or postponement of such Special Meeting) or March 31, 2008; or
- by CCB, if our board withholds, withdraws, amends, changes or modifies, in a manner adverse to CAI, its approval or recommendation in support of the sale of the Cost Containment Business, or if our board approves or recommends, or enters into a letter of intent with respect to a superior proposal.

Any event, change or effect that has occurred which has a material adverse effect upon the condition (financial or otherwise), business, results of operations, or prospects of the Cost Containment Subsidiaries or the Cost Containment Business will be deemed a material adverse change that may trigger the ability of CAI to terminate the Stock Purchase Agreement. Events, changes or effects resulting from:

- any change that is generally applicable to the economy or the healthcare industry;
- changes in GAAP accounting rules and procedures; or

compliance with the terms of, or the taking of any action required by the Stock Purchase Agreement;

will not be considered a Material Adverse Change unless changes to the economy, the healthcare industry or GAAP accounting rules and procedures disproportionately affect the Cost Containment Subsidiaries or the Cost Containment Business. A material adverse change will be deemed to have occurred if the average monthly cash collections of the Cost Containment Subsidiaries decline by more than 20% from an agreed upon historical average.

Termination Fee

Under the terms of the Stock Purchase Agreement, we have agreed to pay CAI a termination fee of $940,000 plus fees and expenses incurred by CAI in connection with the proposed sale of the Cost Containment Business if CCB terminates the Stock Purchase Agreement because:

- our shareholders fail to approve the sale of the Cost Containment Business by the earlier of the Special Meeting (or any adjournment or postponement thereof) or March 31, 2008;
- our board withholds, withdraws, amends, changes or modifies, in a manner adverse to CAI or CCB, its approval or recommendation in support of the sale of the Cost Containment Business, or if our board approves or recommends or enters into a letter of intent or definitive agreement with respect to a Superior Proposal; or
- Laurus fails to deliver a satisfactory consent and release.

In addition, under the terms of the Stock Purchase Agreement, CAI has agreed to pay us a termination fee of $940,000 plus our fees and expenses incurred in connection with negotiation of the proposed sale of the Cost Containment Business with CAI if the Stock Purchase Agreement is terminated because CAI is unable to obtain financing and all other conditions to closing have been satisfied on or before January 31, 2008.

Other Expenses

We and CAI are each responsible for our respective costs and expenses that we or CAI incur in connection with the proposed sale of the Cost Containment Business. We and CAI have further agreed that we and CAI will each pay one-half of the fees and expenses of the escrow agent responsible for administering the escrow fund established in connection with our indemnification obligations under the Stock Purchase Agreement.

Indemnification

Under the Stock Purchase Agreement, we have agreed to indemnify CAI, its representatives and other related parties against any losses, liabilities, damages or expenses, including reasonable attorneys fees and expenses, which arise from or in connection with: (a) any breach of any representation and warranty or covenant or agreement by us contained in the Stock Purchase Agreement or in any certificate, writing or instrument delivered pursuant to the Stock Purchase Agreement; (b) any claim for damages against CAI or any Cost Containment Subsidiary arising in connection with ownership or operation of the assets transferred upon consummation of the sale of the Cost Containment Business, which is alleged to have occurred with respect to the Cost Containment Business prior to the Closing; and (c) any claim for damages against CAI or any Cost Containment Subsidiary arising from or in connection with any services provided by us in connection with our operation of the Cost Containment Business prior to the Closing; provided that our liability for such indemnification claims shall not exceed the amount of the escrow fund, and provided further that we shall not be required to indemnify CAI unless and until the total claims for indemnification of CAI under any of clauses (a), (b), or (c), in the aggregate, equal or exceed $175,000.

Pursuant to the Stock Purchase Agreement, CAI will pay a total of $3.0 million of the Purchase Price that will be set aside in an escrow fund to be managed by an escrow agent agreed upon by CAI and us. This escrow fund is intended to satisfy our potential indemnification obligations to CAI for claims (including claims by third parties) arising from or related to the sale of the Cost Containment Business.

We have also agreed to indemnify CAI, its representatives and other related parties for certain claims that may exceed the amount of the escrow fund, in which case the Company would be obligated for such amounts. These claims include, among others: (i) an agreement by us to pay brokerage or finder s fees relating to the sale of the Cost Containment Business; (ii) any failure by us to comply with any fraudulent transfer law applicable to the sale of the Cost Containment Business; (iii) tax matters relating to taxes owing or payable that accrued prior to the Closing; (iv) any matter related to improper access to health insurance networks and provider contracts associated with our Cost Containment Business arising prior to the Closing; and (v) the post-closing adjustment of the Purchase Price, if any.

Table of Contents

CAI has agreed to indemnify us for any losses, liability, damages or expenses, including reasonable attorneys fees and expenses, which arise from or in connection with: (a) any breach of any representation and warranty or any breach of any covenant or agreement by CAI contained in the Stock Purchase Agreement or in any certificate, writing or instrument delivered pursuant to the Stock Purchase Agreement; or (b) any claim by any person for brokerage or finder s fees or similar payments based upon an alleged agreement or arrangement for payment of such fees in connection with the sale of the Cost Containment Business.

Material Federal Income Tax Consequences of the Proposed Sale

The following discussion summarizes the material United States federal income tax consequences to us of the proposed sale of the Cost Containment Business.

The following discussion is based on the Internal Revenue Code of 1986, as amended (the Code), applicable Treasury Regulations, judicial authority and administrative rulings and practice, all as of the date hereof. The Internal Revenue Service could adopt a position contrary to that presented in the following discussion. In addition, future legislative, judicial or administrative changes or interpretations could adversely affect the accuracy of the statements and conclusions set forth herein. Any such changes or interpretations could be applied retroactively and could affect the tax consequences of the proposed asset sale to us.

Federal Income Tax Consequences to Us of the Proposed Sale of the Cost Containment Business

As a result of the proposed sale of the Cost Containment Business, we will sell all of the capital stock or equity interests related to the Cost Containment Subsidiaries to CAI in exchange for $23.5 million in cash. The sale of the stock of the corporate Cost Containment Subsidiaries will be treated as a deemed asset sale in accordance with elections under Section 338(h)(10) of the Code and the sale of the equity interests of the limited liability company Cost Containment Subsidiaries, which are disregarded entities for tax purposes, will be treated as a direct sale of assets to CAI for income tax purposes. The aggregate deemed sales price of the assets related to the Cost Containment Business will be allocated among each asset in accordance with elections under Section 338(h)(10) of the Code and as set forth in schedules to the Stock Purchase Agreement.

We will realize gain (loss) measured by the difference between the proceeds received by us on such sale and our tax basis in the assets sold. We do not believe the proposed sale of the Cost Containment Business will result in substantial federal or state corporate income tax liability (including any alternative minimum tax liability) because we anticipate that any taxable gain with respect to the sale of the Cost Containment Business will be substantially offset for income tax purposes by our operating losses, including losses from prior years. However, tax authorities may disagree with our determination of our available operating losses or our operating losses could be less than anticipated, which may increase our income tax liability as a result of the proposed sale of the Cost Containment Business.

Accounting Treatment

We will record the sale of the Cost Containment Business in accordance with generally accepted principles in the United States. Upon completion of the disposition, we will recognize a gain (loss) for financial reporting purposes equal to the net proceeds (sum of purchase price less expenses of the sale) less the book value of the assets and liabilities sold.

No Regulatory Requirements for the Proposed Sale

We are not aware of any federal or state regulatory requirements that must be complied with or approvals that must be obtained to complete the sale of the Cost Containment Business, other than the filing of this proxy statement with the SEC. If any additional approvals or filings are required, we will use our commercially reasonable efforts to obtain those approvals and make any required filings before completing the transactions.

No Changes to the Rights of Shareholders

There will be no change in the rights of our shareholders as a result of the sale of the Cost Containment Business.

Table of Contents

No Appraisal Rights in Connection with the Proposed Sale of the Cost Containment Business

Our shareholders do not have appraisal rights under the Florida Business Corporation Act in connection with the sale of the Cost Containment Business because our common stock is listed on the NASDAQ Global Market.

Voting By Our Directors and Executive Officers

As of November 26, 2007, our directors and executive officers owned of record 167,105 shares of our common stock and no shares of our Series C Preferred Stock, representing approximately 1.21% of the outstanding votes of all of our common stock and Series C Preferred Stock (on an as-converted basis). We believe that each of our directors and executive officers intends to vote at the Special Meeting in favor of all of the proposals that shareholders are being asked to approve.

Required Vote

The affirmative vote of holders of a majority of the shares of common stock and Series C Preferred Stock, on an as converted basis, voting together as a single class, is required in order to approve the sale of the Cost Containment Business. Because the affirmative vote of a majority of the votes entitled to be cast at the Special Meeting is required to approve the sale of the Cost Containment Business, abstentions, broker non-votes and shares not represented at the Special Meeting will have the same effect as a vote against the sale.

Recommendation of Our Board of Directors Regarding the Sale of the Cost Containment Business

For the reasons described above, our board has determined that the proposed sale of the Cost Containment Business pursuant to the Stock Purchase Agreement is in the best interests of the Company and our shareholders. Accordingly, our board has unanimously approved the proposed sale of the Cost Containment Business and recommends to our shareholders that they vote **FOR** approval of Proposal No. 1.

Our board of directors recommends that you vote FOR the approval of the proposed sale of the Cost Containment Business pursuant to the Stock Purchase Agreement by completing and returning the enclosed proxy or by completing and returning the voting instructions that you receive from the broker or other nominee that holds your shares.

Table of Contents

PROPOSAL 2: ADJOURNMENT

Purpose

In the event there are not sufficient votes present, in person or by proxy, at the Special Meeting to approve the sale of the Cost Containment Business, our chief executive officer or other officer, acting in his capacity as chairperson of the meeting, may propose an adjournment of the Special Meeting to a later date or dates to permit further solicitation of proxies.

Required Shareholder Vote to Approve the Adjournment Proposal

Approval of the adjournment proposal will require that the number of votes cast in favor of the proposal exceed the number of votes cast against it. Assuming the presence of a quorum, abstentions, broker non-votes and shares not represented at the Special Meeting will have no effect on the adjournment proposal.

Recommendation of our Board of Directors

Our board of directors unanimously recommends that our shareholders vote FOR approval of Proposal No. 2 to adjourn the Special Meeting, if necessary to obtain the requisite number of proxies to approve Proposal No. 1.

MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

Management s discussion and analysis of financial condition and results of operations (MD&A) is provided as a supplement to, and should be read in conjunction with our audited consolidated financial statements and the notes thereto, which are attached hereto as Appendix C, and to our unaudited consolidated financial statements and notes thereto, which are attached hereto as Appendix D.

MedAvant is an information technology company that facilitates the exchange of medical claim and clinical information among doctors, hospitals, medical laboratories, and insurance payers. MedAvant also enables the electronic transmission of laboratory results.

MedAvant is a trade name of ProxyMed, Inc. which was incorporated in 1989 in Florida. In December 2005, ProxyMed began doing business under the new operating name, MedAvant Healthcare Solutions, to unite all business units and employees under one brand identity. The new name was one of several results of a strategic analysis completed in the third quarter of 2005 following the acquisition of seven companies between 1997 and 2004.

Whether we are working with our 550,000 healthcare provider-customers, 200 clinical laboratories or 1,500 insurance payers, our goal is the same: provide the business intelligence necessary to expedite clinical and healthcare transactions. We make the transactions secure, faster, more accurate and more economical by using our processing platform known as Phoenix^{SM}. With this real-time processing system, we provide visibility into an insurance claim s entire lifecycle, from the time the provider files it to the time the insurance payer reimburses the provider. That information provides data our customers use to improve their business efficiencies. The Phoenix^{SM} platform is currently used at less than 40% of capacity; therefore, we can easily scale with future growth.

Management believes MedAvant is the nation s fourth largest claims processor and is among the top five independent PPOs and the largest company that facilitates delivery of laboratory results.

Operating Segments

We operate two separately managed reportable segments: Transaction Services and Laboratory Communications Solutions. A description of these segments, their primary services and our source of revenue, in each, is as follows:

Transaction Services

Processing claims. The primary tool our customers use to process claims is a real-time web portal called myMedAvant, powered by our Phoenix^{SM} platform. It offers standard and premium services with features such as verifying a patient s insurance, enrolling with payers, tracking a claim s progress with the payer and retrieving reports from payers. On average, we processed approximately 750,000 revenue-related transactions a day in 2006 and approximately 800,000 revenue-related transactions a day for the nine months ended September 30, 2007. Providers pay for claims processing based on either a flat monthly fee or a per-transaction fee.

Operating a PPO. Our PPO is called the National Preferred Provider Network (NPPN) and is accessed by more than, 550,000 physicians, 4,000 acute care facilities and 90,000 ancillary care providers. We generate revenue primarily by charging participating payers a percentage of the savings they receive through NPPN. Because we operate a PPO, we can offer payers discounts on claims when a patient uses an out-of-network provider and we can negotiate non-discounted claims for payers.

Laboratory Communications Solutions

Printing Technology. Our intelligent printing technology is integrated into printers for labs to purchase and install in physician offices. This allows for the secure transmittal of laboratory reports. Laboratories also purchase support, maintenance and monitoring programs to manage printers that have our integrated technology.

Pilot. This patent-pending, web-enabled device sits in a provider s office and is used to transfer lab reports in virtually any format to a printer, a personal computer or a hand-held device. It integrates with most Practice Management Systems and usually saves the provider the cost of a dedicated phone line. Labs either purchase Pilot devices with an annual support program or they subscribe to Pilot with a program that includes support services.

Fleet Management System (FMS). Labs use this online tool to monitor printers in provider offices and receive alerts for routine problems such as a printer being out of paper or having a paper jam. FMS can also be used to monitor printer inventory and schedule regular maintenance. Labs pay a monthly fee per printer to use FMS.

Results of Operations

Three Months Ended September 30, 2007 Compared to Three Months Ended September 30, 2006

	Three Months Ended September 30,					
	2007	% of Net Revenues	2006	% of Net Revenues	Change $	Change%
	(In thousands) (Some percents may not foot due to rounding)					
Net revenues:						
Transaction Services	$ 10,533	87.5%	$ 12,795	80.1%	$ (2,262)	(17.7)%
Laboratory Communication Solutions	1,507	12.5%	3,188	19.9%	(1,681)	(52.7)%
	12,040	100%	15,983	100%	(3,943)	(24.7)%
Cost of sales:						
Transaction Services	2,941	24.4%	3,016	18.9%	(75)	(2.5)%
Laboratory Communication Solutions	799	6.6%	1,530	9.6%	(731)	(47.8)%
	3,740	31.1%	4,546	28.4%	(806)	(17.7)%
Selling, general and administrative expenses:						
Transaction Services	8,311	69.0%	9,598	60.1%	(1,287)	(13.4)%
Laboratory Communication Solutions	409	3.4%	642	4.0%	(233)	(36.3)%
	8,720	72.4%	10,240	64.1%	(1,520)	(14.8)%
Write-off of impaired assets:						
Transaction Services		0.0%		0.0%		
	2,102	17.5%		0.0%	2,102	

Laboratory Communication Solutions						
	2,102	17.5%		0.0%	2,102	
Depreciation and amortization:						
Transaction Services	1,267	10.5%	1,962	12.3%	(695)	(35.4)%
Laboratory Communication Solutions	40	0.3%	74	0.5%	(34)	(45.9)%
	1,307	10.9%	2,036	12.7%	(729)	(35.8)%
Operating income (loss):						
Transaction Services	(1,986)	(16.5)%	(1,781)	(11.1)%	(205)	(11.5)%
Laboratory Communication Solutions	(1,843)	(15.3)%	942	5.9%	(2,785)	(295.6)%
	(3,829)	(31.8)%	(839)	(5.2)%	(2,990)	(356.4)%
Interest expense	1,364	11.3%	757	4.7%	607	80.2%
Net loss	$ (5,193)		$ (1,596)		$ (3,597)	

34

Table of Contents

Net Revenues. Consolidated net revenues decreased $4.0 million, or 24.7%, to $12.0 million for the three months ended September 30, 2007 compared to $16.0 million for the three months ended September 30, 2006.

Net revenues in our Transaction Services segment decreased by $2.3 million, or 17.7%, for the three months ended September 30, 2007 compared to the same period in 2006. This decrease resulted primarily from lost customer volumes due to pricing pressures and increased direct customer connectivity to payers ($1.3 million) and declining realization rates within our Cost Containment Business ($0.9 million). We do not expect revenues to reverse the declining trends which we have experienced during the year 2006, and through the third quarter ended September 30, 2007; yet we do expect that our revenue will not continue the rate of decline as mentioned above. Revenue declines are likely as a result of continued competitive pressures which may affect pricing.

Laboratory Communication Solutions segment net revenues decreased by $1.7 million, or 52.7%, for the three months ended September 30, 2007, compared to the same period last year. This decrease is due primarily to a decline in orders from one of our largest customers.

Cost of Sales. Consolidated cost of sales decreased $0.8 million, or 17.7%, to $3.7 million, for the three months ended September 30, 2007 compared to $4.5 million for the same period last year.

The following table illustrates our cost of sales as a percentage of segment net revenues:

	Three Months Ended September 30, (In thousands) (Unaudited)			
	2007	% of Segment Net Revenue	2006	% of Segment Net Revenue
Cost of sales:				
Transaction Services	$ 2,941	27.9%	$ 3,016	23.6%
Laboratory Communication Solutions	799	53.0%	1,530	48.0%
	$ 3,740	31.1%	$ 4,546	28.4%
Gross margin:				
Transaction Services	$ 7,592	72.1%	$ 9,779	76.4%
Laboratory Communication Solutions	708	47.0%	1,658	52.0%
	$ 8,300	68.9%	$ 11,437	71.6%

Cost of sales in our Transaction Services segment consists of EDI transaction fees, provider network access fees, services and license fees, third-party electronic transaction processing costs, certain telecommunication and co-location center costs, and revenue sharing arrangements with our business partners. Cost of sales decreased $0.1 million, or 2.5%, to $2.9 million, for the three months ended September 30, 2007, compared to $3.0 million for the same period last year. Cost of sales as a percentage of segment net revenues increased 4.3% compared to the same period last year. This increase was primarily due to the additional revenue allowances recorded as a result of the loss experience rate change. Gross margins on Transaction Services decreased 4.3% during the three months ended September 30, 2007 compared to the same period last year again due to the reduction in revenue as a result of the loss experience rate change. Our management continues to focus on improving the profitability of our product lines. This is evidenced by recent provider network acquisitions which have helped us avoid costly monthly network access fees.

Cost of sales in our Laboratory Communication Solutions segment includes hardware, third party software, consumable materials, direct manufacturing labor and indirect manufacturing overhead. Cost of sales decreased by $0.7 million to $0.8 million for the three months ended September 30, 2007, compared to the same period in 2006. Cost of sales as a percentage of segment revenue increased to 53% during the period, from 48% last year. This increase was a result of a decreased proportion of Pilot in our sales mix, which has higher margins, which in this segment decreased gross margins to 47% during the period, compared to 52% last year.

Selling, General and Administrative Expenses (SG&A). SG&A decreased for the three months ended September 30, 2007, by $1.5 million, or 14.8%, to $8.7 million from $10.2 million compared to the three months ended September 30, 2006. SG&A expenses as a percentage of total net revenues increased to 72% for the three months ended September 30, 2007, from 64% in the same period last year. The number of our employees decreased to 263 at September 30, 2007, from 337 at September 30, 2006.

Transaction Services segment SG&A expenses decreased $1.3 million, or 14%, to $8.3 million for the three months ending September 30, 2007, compared to $9.6 million for the same period last year. This decrease is primarily due to a reduction in our number of employees resulting in savings of $1.1 million and lower bonus expense of $0.6 million. During May 2007, we implemented reductions to our operating expenses, including headcount reductions. The impact of those reductions was realized in the third quarter as the one time charge of $0.2 million for severance was charged against earnings in the previous quarter.

Laboratory Communication Solutions segment SG&A expenses decreased to $0.4 million for the three months ended September 30, 2007, as compared to the same period of 2006 due to reduced headcount.

Impairment Charges. As a result of our continuing revenue declines during the third quarter of 2007, we performed an interim goodwill impairment test as of September 30, 2007. In accordance with the provisions of SFAS No. 142, we used a discounted cash flow analysis which indicated that the book value of the Laboratory Communications segment exceeded its estimated fair value and that goodwill impairment had occurred. In addition, as a result of the goodwill analysis, we assessed whether there had been an impairment of our long-lived assets in accordance with SFAS No. 144. This impairment analysis indicated that the carrying value of certain finite-lived intangible assets was less than their expected undiscounted future cash flows. Therefore, we concluded that these intangible assets were not impaired as of September 30, 2007. Accordingly, we recorded a non-cash impairment charge of $2.1 million in our Laboratory Communications segment. For the three months ended September 30, 2007 we recorded no impairment charge in our Transaction Services segment.

Depreciation and Amortization. Depreciation and amortization decreased by $0.7 million to $1.3 million for the three months ended September 30, 2007, from $2.0 million for the same period last year. This decrease is primarily the result of the impairment charges against certain intangible assets recorded in the first quarter of 2007.

Operating Loss. As a result of the foregoing, the combined operating loss for the three months ended September 30, 2007, was $3.8 million compared to an operating loss of $0.8 million for the same period last year.

Interest Expense. Net interest expense for the three months ended September 30, 2007, was $1.4 million compared to $0.8 million for the same period last year. This increase in expense was primarily due to higher effective interest charges on our Laurus debt facility and increased borrowings.

Net Loss. As a result of the foregoing, net loss for the three months ended September 30, 2007 and 2006, was $5.2 million and $1.6 million, respectively.

Table of Contents

Nine Months Ended September 30, 2007 Compared to Nine Months Ended September 30, 2006

	Nine Months Ended September 30,					
	2007	% of Net Revenues	2006	% of Net Revenues	Change $	Change%
	(In thousands) (Unaudited) (Some percents may not foot due to rounding)					
Net revenues:						
Transaction Services	$ 34,754	84.1%	$ 41,235	83.1%	$ (6,481)	(15.7)%
Laboratory Communication Solutions	6,568	15.9%	8,380	16.9%	(1,812)	(21.6)%
	41,322	100%	49,615	100%	(8,293)	(16.7)%
Cost of sales:						
Transaction Services	8,913	21.6%	10,645	21.5%	(1,732)	(16.3)%
Laboratory Communication Solutions	3,169	7.7%	4,255	8.6%	(1,086)	(25.5)%
	12,082	29.2%	14,900	30.0%	(2,818)	(18.9)%
Selling, general and administrative expenses:						
Transaction Services	29,577	71.6%	29,880	60.2%	(303)	(1.0)%
Laboratory Communication Solutions	1,722	4.2%	2,050	4.1%	(328)	(16.0)%
	31,299	75.7%	31,930	64.4%	(631)	(2.0)%
Write-off of impaired assets:						
Transaction Services	19,448	47.1%		0.0%	19,448	
Laboratory Communication Solutions	2,102	5.1%		0.0%	2,102	
	21,550	52.2%		0.0%	21,550	
Depreciation and amortization:						
Transaction Services	4,359	10.5%	5,324	10.7%	(965)	(18.1)%
Laboratory Communication Solutions	254	0.6%	230	0.5%	24	10.4%
	4,613	11.2%	5,554	11.2%	(941)	(16.9)%
Operating income (loss):						
Transaction Services	(27,543)	(66.7)%	(4,614)	(9.3)%	(22,929)	(496.9)%
Laboratory Communication Solutions	(679)	(1.6)%	1,845	3.7%	(2,524)	(136.8)%
	(28,222)	(68.3)%	(2,769)	(5.6)%	(25,453)	(919.2)%

Interest expense	3,308	8.0%	2,239	4.5%	1,069	47.7%
Net loss	$ (31,530)		$ (5,008)		$ (26,522)	

Net Revenues. Consolidated net revenues decreased $8.3 million, or 17%, to $41.3 million for the nine months ended September 30, 2007 compared to $49.6 million for the nine months ended September 30, 2006.

Net revenues in our Transaction Services segment decreased by $6.5 million, or 16%, for the nine months ended September 30, 2007 compared to the same period in 2006. This decrease resulted primarily from lost customer volumes due to pricing pressures, increased direct customer connectivity to payers, and discontinued products ($5.9 million). Also, affecting the decline in revenue was the additional revenue allowances recorded as a result of our declining realization rates of ($1.2 million). These decreases in revenue were partially offset by revenue generated by our acquisition of MRL ($0.6 million). We do not expect revenues to reverse the declining trends which we have experienced during the year 2006, and through the third quarter ended September 30, 2007; yet we do expect that our revenue will not continue the rate of decline as mentioned above. Revenue declines are likely as a result of continued competitive pressures which may affect pricing.

Laboratory Communication Solutions segment net revenues decreased by $1.8 million, or 21.6%, for the nine months ended September 30, 2007, compared to the same period last year. This decrease is primarily related to the

Table of Contents

downturn in business in one of our largest customers. We do not expect revenues to reverse the declining trends which we have experienced thus far during the year 2007. Revenue declines are likely as a result of continued competitive pressures which may affect pricing, revenues and cash flows.

Cost of Sales. Consolidated cost of sales decreased $2.8 million, or 19%, to $12.1 million, for the nine months ended September 30, 2007 compared to $14.9 million for the same period last year.

The following table illustrates our cost of sales as a percentage of segment net revenues:

	Nine Months Ended September 30, (In thousands) (Unaudited)			
	2007	**% of Segment Net Revenue**	**2006**	**% of Segment Net Revenue**
Cost of sales:				
Transaction Services	$ 8,913	25.6%	$ 10,645	25.8%
Laboratory Communication Solutions	3,169	48.2%	4,255	50.8%
	$ 12,082	29.2%	$ 14,900	30.0%
Gross margin:				
Transaction Services	$ 25,841	74.4%	$ 30,590	74.2%
Laboratory Communication Solutions	3,399	51.8%	4,125	49.2%
	$ 29,240	70.8%	$ 34,715	70.0%

Cost of sales in our Transaction Services segment consists of EDI transaction fees, provider network access fees, services and license fees, third-party electronic transaction processing costs, certain telecommunication and co-location center costs, and revenue sharing arrangements with our business partners. Cost of sales decreased $1.7 million, or 16%, to $8.9 million, for the nine months ended September 30, 2007, compared to $10.6 million for the same period last year. Cost of sales as a percentage of segment net revenues remained steady at 26% for both periods. Gross margins on Transaction Services remained steady at 74% for both periods.

Cost of sales in our Laboratory Communication Solutions segment includes hardware, third party software, consumable materials, direct manufacturing labor and indirect manufacturing overhead. Cost of sales decreased $1.1 million for the nine months ended September 30, 2007, compared to the same period in 2006. Cost of sales as a percentage of segment revenue decreased to 48% during the period, from 51% last year. This decrease was a result of an increased proportion of Pilot in our sales mix, which has higher margins, which in this segment improved gross margins to 52% during the period, compared to 49% last year.

Selling, General and Administrative Expenses (SG&A). SG&A decreased for the nine months ended September 30, 2007, by $0.6 million, or 2%, to $31.3 million from $31.9 million for the nine months ended September 30, 2006. SG&A expenses as a percentage of total net revenues increased to 76% for the nine months ended September 30, 2007, from 64% in the same period last year. The number of our employees decreased to 263 at September 30, 2007, from 337 at September 30, 2006.

Transaction Services segment SG&A expenses decreased $0.3 million, or 1%, to $29.6 million for the nine months ending September 30, 2007, compared to $29.9 million for the same period last year. This decrease is primarily due to lower personnel costs of $1.4 million, lower bonus expense of $1.8 million, offset by higher temporary labor and consulting expense of $0.6 million and a one time charge of $1.7 million to the provision for doubtful accounts due to uncollectible amounts from certain customers. Additional offsetting costs were reduced capitalized labor for the period ending September 30, 2007 of $0.4 million due to the elimination or completion of software development projects, and increased software license fees of $0.2 million.

Laboratory Communication Solutions segment SG&A expenses decreased $0.3 million, or 16%, to $1.7 million for the nine months ended September 30, 2007, as compared to the same period of 2006 resulting from headcount reductions.

Table of Contents

Impairment Charges. As a result of our continuing revenue and stock price declines during the first quarter of 2007, we performed an interim goodwill impairment test as of March 31, 2007. In accordance with the provisions of SFAS No. 142, we used a discounted cash flow analysis which indicated that the book value of the Transaction Services segment exceeded its estimated fair value and that goodwill impairment had occurred. In addition, as a result of the goodwill analysis, e assessed whether there had been an impairment of our long-lived assets in accordance with SFAS No. 144. This impairment analysis indicated that the carrying value of certain finite-lived intangible assets was greater than their expected undiscounted future cash flows. Therefore, we concluded that these intangible assets were impaired and adjusted the carrying value of these assets to fair value. Accordingly, we recorded a non-cash impairment charge of $19.4 million for the three months ended March 31, 2007 in our Transaction Services Segment. This charge included a $12.5 million impairment of goodwill and a $6.9 million impairment of certain other intangibles. For the three months ended March 31, 2007, we recorded no impairment charge in our Laboratory Communications segment.

As a result of our continuing revenue declines during the third quarter of 2007, we also performed an interim goodwill impairment test as of September 30, 2007. In accordance with the provisions of SFAS No. 142, we used a discounted cash flow analysis which indicated that the book value of the Laboratory Communications segment exceeded its estimated fair value and that goodwill impairment had occurred. In addition, as a result of the goodwill analysis, we assessed whether there had been an impairment of our long-lived assets in accordance with SFAS No. 144. This impairment analysis indicated that the carrying value of certain finite-lived intangible assets was less than their expected undiscounted future cash flows. Therefore, we concluded that these intangible assets were not impaired as of September 30, 2007. Accordingly, we recorded a non-cash impairment charge of $2.1 million in our Laboratory Communications segment. For the three months ended September 30, 2007 we recorded no impairment charge in our Transaction Communications segment.

Depreciation and Amortization. Depreciation and amortization decreased by $1.0 million to $4.6 million for the nine months ended September 30, 2007, from $5.6 million for the same period last year. This decrease is primarily the result of the impairment charges against certain intangible assets recorded in the first quarter of 2007.

Operating Loss. As a result of the foregoing, the combined operating loss for the nine months ended September 30, 2007, was $28.2 million compared to an operating loss of $2.8 million for the same period last year.

Interest Expense. Net interest expense for the nine months ended September 30, 2007, was $3.3 million compared to $2.2 million for the same period last year. This increase in expense was primarily due to higher effective interest charges on our Laurus debt facility and increased borrowings.

Net Loss. As a result of the foregoing, net loss for the nine months ended September 30, 2007 and 2006, was $31.5 million and $5.0 million, respectively.

Year Ended December 31, 2006, Compared to Year Ended December 31, 2005

Net Revenues. Consolidated net revenues for 2006 decreased $12.1 million, or 16%, to $65.5 million from consolidated net revenues of $77.6 million in 2005. Net revenues classified by our reportable segments are as follows:

	2006	2005
	(In thousands)	
Transaction Services	$ 53,983	$ 66,042
Laboratory Communication Solutions	11,479	11,477

	$ 65,462	$ 77,519

Net revenues in our Transaction Services segment for 2006 decreased by $12.1 million, or 18%, as compared to 2005. Much of this decrease is due to reductions or eliminations of certain products that we determined were not profitable or are not part of our future strategy. These products accounted for $3.4 million of the decrease and include patient statements, Planserv and Payerserv and an outsourcing arrangement. We also lost $3.9 million of revenue from certain customers due to increased competition. Additionally, the remaining decrease in revenue is a result of lost customer volume due to pricing pressure, from greater competition and increased direct customers connectivity to payers, which was partially offset by additional net revenue of $200,000 due to our acquisitions of MRL.

In 2006, approximately 82% of our consolidated revenues came from our Transaction Services segment compared to 85% from this segment in 2005.

Laboratory Communication Solutions segment net revenues in 2006 were consistent with 2005. We experienced a drop in revenue from our largest customer, which was offset by an increase from our second-largest customer purchasing our Pilot product. Additionally, during 2006, we eliminated certain revenue streams with little to no margins and replaced it with a new service contract with our largest customer.

Cost of Sales. Consolidated cost of sales decreased as a percentage of net revenues to 30% in 2006, from 35% in 2005. Cost of sales classified by our reportable segments are as follows:

	2006	2005
	(In thousands)	
Transaction Services	$ 13,658	$ 20,523
Laboratory Communication Solutions	5,675	6,301
	$ 19,333	$ 26,824

Cost of sales in our Transaction Services segment consists of transaction fees, services and license fees, third-party electronic transaction processing costs, certain telecommunication and co-location center costs, revenue sharing arrangements with our business partners, third-party database licenses, and certain travel expenses. Cost of sales in this segment decreased by $6.9 million, or 33%, in 2006 as compared to 2005, directly associated with the revenue decreases for this segment. Additionally, during late 2005 and into 2006, we renegotiated many of our vendor and network contracts, thereby reducing our direct costs. This is reflected in our margins increasing from 69% in 2005 to 75% in 2006. This margin increase was also impacted by the $200,000 of new revenue and $200,000 of reduced direct costs from our acquisition of MRL. Additionally, we had a reduction of direct costs of approximately $700,000 due to our acquisition of Zeneks, Inc.

Cost of sales in our Laboratory Communication Solutions segment includes hardware, third party software, consumable materials, direct manufacturing labor, and indirect manufacturing overhead. Cost of sales for this segment decreased by $600,000, or 10%, as compared to 2005. Cost of sales as a percentage of revenues in this segment was 49% in 2006 as compared to 55% in 2005. This decrease in costs is related to the higher margins attributable to sales of Pilot, the elimination of low margin business and a new service contract with our largest customer.

Selling, General and Administrative Expenses. Consolidated SG&A decreased $6.2 million in 2006 to $41.8 million, as compared to $48.0 million in 2005. Consolidated SG&A expenses as a percentage of consolidated revenues increased to 64% in 2006, from 62% in 2005. SG&A expenses classified by our reportable segments are as follows:

	2006	2005
	(In thousands)	
Transaction Services	$ 39,140	$ 45,296
Laboratory Communication Solutions	2,647	2,666

	$ 41,787	$ 47,962

Transaction Services segment SG&A expenses for the year ended December 31, 2006 decreased $6.2 million, or 14%, to $39.1 million, compared to $45.3 million in 2005. This decrease is attributable to lower payroll expenses ($6.0 million), lower commissions ($0.5 million), lower rent ($0.5 million) and lower recruiting expenses ($0.4 million) as compared to 2005. This decrease is significantly driven by the drop in our employee count, from 401 at December 31, 2005, compared to 340 as of December 31, 2006. These reductions were partially offset by increased bonus expense ($1.7 million), and stock option expenses ($0.9 million) related to our adoption of SFAS No. 123R. The 2006 bonus was based upon the achievement of companywide goals.

Laboratory Communication Solutions segment SG&A expenses for 2006 remained consistent with 2005 and this segment s SG&A expenses as a percentage of segment net revenues remained steady at approximately 23% in 2006 from 2005.

Depreciation and Amortization. Consolidated depreciation and amortization expense decreased by $1.9 million to $7.4 million in 2006 from $9.3 million in 2005. Depreciation and amortization classified by our reportable segments are as follows:

	2006	2005
	(In thousands)	
Transaction Services	$ 7,076	$ 8,788
Laboratory Communication Solutions	303	517
	$ 7,379	$ 9,305

The decrease in depreciation and amortization is primarily due to the impairment charge on certain of our long-lived intangible assets taken in 2005 (see below). As a result, our amortization expense declined by $2.0 million, partially offset by approximately $0.2 million of amortization pertaining to our acquisition of MRL in October 2006 and additions of capitalized software. Depreciation declined $0.1 million from 2005 to 2006.

Litigation settlement. During 2007, pertaining to the 2006 fiscal year, we settled outstanding litigation related to our 2005 name change, for approximately $1.3 million, for which we have accrued $0.3 million, net of insurance reimbursement amount. Additionally, we settled a non-compete agreement suit for approximately $0.1 million. These amounts are recorded in our Transaction Services segment for the fiscal year 2006.

Write-off of impaired assets. No impairment charges were incurred or recognized during 2006. As a result of our stock price decline during 2005, a decrease in our revenues and a restructuring plan we initiated during the third quarter of 2005, we performed an interim goodwill impairment test as of September 30, 2005. In accordance with the provisions of SFAS No. 142, we performed a discounted cash flow analysis which indicated that the book value of the Transaction Services segment exceeded its estimated fair value. The second step of this impairment test, led us to conclude that an impairment of our goodwill had occurred. In addition, as a result of our goodwill analysis, we also performed an impairment analysis of our long-lived assets in our Transaction Services segment. This impairment analysis indicated that the carrying value of certain finite-lived intangible assets was greater than their expected undiscounted future cash flows. As a result, we concluded that these intangible assets were impaired and adjusted the carrying value of such assets to fair value. In addition, we also reduced the remaining useful lives of these intangible assets based on the results of this analysis. Accordingly, we recorded a non-cash impairment charge of $95.7 million at September 30, 2005, in our Transaction Services segment. The charges included $68.1 million impairment of goodwill and $27.6 million impairment of certain other intangibles. No further impairment was noted as of our annual testing conducted at December 31, 2005.

In June 2005, we performed an impairment analysis of certain finite-lived intangible assets in our Laboratory Communication Solutions segment due to a substantial decrease in revenues from one of our customers. This impairment analysis indicated that the carrying value of certain finite-lived intangible assets was greater than their expected undiscounted future cash flows. As a result, we concluded that these intangible assets were impaired and adjusted the carrying value of such assets to fair value by approximately $0.7 million.

Operating Income (Loss). As a result of the foregoing, the consolidated operating loss in 2006 was ($3.4 million) compared to an operating loss of ($103.2 million) in 2005. The 2005 operating loss would have been ($6.8 million) without the impairment noted above as compared to ($3.4 million) during 2006. This improvement is driven primarily by our cost cutting initiatives that began at the end of 2005. Operating losses classified by our reportable segments are as follows:

	2006	2005
	(In thousands)	
Transaction Services	$ (6,210)	$ (104,415)
Laboratory Communication Solutions	2,840	1,238
	$ (3,370)	$ (103,177)

41

Table of Contents

Interest Expense. Consolidated net interest expense for 2006 was $3.2 million compared to $2.1 million for the same period last year. This increase in expense is primarily due to the accelerated amortization of prepaid financing costs on the Company s line of credit facility ($1.0 million) that was refinanced in December 2005. Our borrowings under the line of credit increased in October 2006 with our acquisition of MRL. In order to complete the MRL acquisition we borrowed $3.0 million under our line of credit (LOC) and issued $2.0 million notes to the seller (7% interest, payable in 24 equal monthly installments).

Net Loss. As a result of the foregoing, our consolidated net loss in 2006 was ($6.6 million) compared to our consolidated net loss of ($105.3 million) in 2005.

Year Ended December 31, 2005, Compared to Year Ended December 31, 2004

Net Revenues. Consolidated net revenues in 2005 decreased by $12.7 million, or 14%, to $77.6 million from consolidated net revenues of $90.2 million in 2004. Net revenues classified by our reportable segments were as follows:

	2005	2004
	(In thousands)	
Transaction Services	$ 66,042	$ 71,304
Laboratory Communication Solutions	11,477	18,942
	$ 77,519	$ 90,246

Net revenues in our Transaction Services segment for 2005 decreased by $5.3 million, or 7%, as compared to 2004. This decrease was primarily due to declines in volumes of electronic claims, statements and other real-time transactions processed (decrease $1.8 million). Core transactions were down 5% compared to the prior year. This negatively impacted our transaction services revenue from our claims processing business. This decrease was partially offset by increased revenue from our PPO business. Our PPO business was generating revenues for two additional months in 2005 compared to 2004 due to the timing of acquisition of PlanVista in March 2004. Although our PPO business total revenues were increasing, there was a drop in revenue per transaction as competitive pressures have impacted pricing.

In 2005, approximately 85% of our consolidated revenues came from our Transaction Services segment compared to 79% from this segment in 2004. This increase was attributable to the drop in revenue from our Laboratory Communication Solutions segment as a result of the sale of our manufacturing unit in June 2004.

Laboratory Communication Solutions segment net revenues for 2005 decreased by $7.5 million, or 39%, from 2004 primarily as a result of the sale of the contract manufacturing assets in June 2004. This sale resulted in a decrease of $4.7 million in this segments revenue in 2005 compared to 2004. Additionally, we experienced a drop in revenue from our largest customer of $2.8 million as a result of budgeting issues with the customer.

Cost of Sales. Consolidated cost of sales decreased as a percentage of net revenues to 35% in 2005 from 38% in 2004. Cost of sales classified by our reportable segments are as follows:

	2005	2004
	(In thousands)	

Transaction Services	$ 20,523	$ 22,401
Laboratory Communication Solutions	6,301	11,811
	$ 26,824	$ 34,212

Cost of sales in our Transaction Services segment consists of transaction fees, provider network outsourcing fees, services and license fees, third-party electronic transaction processing costs, certain telecommunication and co-location center costs, revenue sharing arrangements with our business partners, third-party database licenses and certain travel expenses. Cost of sales in this segment decreased by $1.9 million, or 8%, in 2005 compared to 2004 primarily due to the 7% decrease in revenue in this segment. This decrease in cost of goods sold in 2005 would have been approximately $1.8 million less if the additional two months costs from PlanVista resulting from the acquisition in March 2004 was considered. As a percentage of revenues, cost of sales in this segment remained steady at 31% in 2005 and 2004.

Cost of sales in our Laboratory Communication Solutions segment includes cost of hardware, third party software, consumable materials, direct manufacturing labor and indirect manufacturing overhead. Cost of sales for this segment decreased $5.5 million, or 47%, as compared to 2004. This decrease was primarily due to the sale of our contract manufacturing assets. Cost of sales as a percentage of revenues in this segment was 55% in 2005 compared to 62% in 2004.

Selling, General and Administrative Expenses. Consolidated SG&A remained flat in 2005 at $48.0 million as compared to 2004. Consolidated SG&A expenses as a percentage of consolidated revenues increased to 62% in 2005 from 53% in 2004. SG&A expenses classified by our reportable segments are as follows:

	2005	2004
	(In thousands)	
Transaction Services	$ 45,296	$ 43,625
Laboratory Communication Solutions	2,666	4,398
	$ 47,962	$ 48,023

Transaction Services segment SG&A expenses for the year ended December 31, 2005, increased by $1.7 million, or 4%, over 2004. The primary reason for this increase was the inclusion of two additional months of expenses resulting from the PlanVista acquisition in March 2004 of approximately $1.8 million. Additionally, the Company incurred $0.8 million for severance related to a reduction in work force in 2005, partially offset by lower payroll related costs for the remainder of 2005.

Laboratory Communication Solutions segment SG&A expenses for 2005 decreased by $1.7 million, or 39% from 2004. This segment s SG&A expenses as a percentage of segment net revenues remained steady at 23% in 2005 from 2004.

Impairment charges. As a result of our stock price decline in 2005, a decrease in our revenues and a restructuring plan we initiated during the third quarter of 2005, we performed an interim goodwill impairment test as of September 30, 2005. In accordance with the provisions of SFAS No. 142, we performed a discounted cash flow analysis which indicated that the book value of the Transaction Services segment exceeded its estimated fair value. The second step of this impairment test, as prescribed by SFAS No. 142, led us to conclude that an impairment of our goodwill had occurred. In addition, as a result of our goodwill analysis, we also performed an impairment analysis of our long-lived assets in our Transaction Services segment. This impairment analysis indicated that the carrying value of certain finite-lived intangible assets was greater than their expected undiscounted future cash flows. As a result, we concluded that these intangible assets were impaired and adjusted the carrying value of such assets to fair value. In addition, we also reduced the remaining useful lives of these intangible assets based on the results of this analysis. Accordingly, we recorded a non-cash impairment charge of $95.7 million at September 30, 2005, in our Transaction Services segment. The charges included $68.1 million impairment of goodwill and $27.6 million impairment of certain other intangibles. No further decline was noted as of our annual testing conducted at December 31, 2005.

In June 2005, we performed an impairment analysis of certain finite-lived intangible assets in our Laboratory Communication Solutions segment due to a substantial decrease in revenues from one of our customers. This impairment analysis indicated that the carrying value of certain finite-lived intangible assets was greater than their expected undiscounted future cash flows. As a result, we concluded that these intangible assets were impaired and adjusted the carrying value of such assets to fair value by approximately $0.7 million.

Depreciation and Amortization. Consolidated depreciation and amortization expense decreased by $500,000 to $9.3 million in 2005 from $9.8 million in 2004. Depreciation and amortization classified by our reportable segments are as follows:

	2005	2004
	(In thousands)	
Transaction Services	$ 8,788	$ 8,719
Laboratory Communication Solutions	517	823
Corporate		221
	$ 9,305	$ 9,763

Litigation settlement. In September 2005 and December 2004, we settled outstanding preacquisition contingencies related to PlanVista for a total of $200,000, net of insurance reimbursement. These amounts were recorded in our Transaction Services segment.

Operating Income (Loss). As a result of the foregoing, the consolidated operating loss in 2005 was ($103.2 million) compared to an operating loss of ($2.0 million) in 2004. Operating losses classified by our reportable segments are as follows:

	2005	2004
	(In thousands)	
Transaction Services	$ (104,415)	$ (2,815)
Laboratory Communication Solutions	1,238	1,938
Corporate		(1,097)
	$ (103,177)	$ (1,974)

Interest Expense. Consolidated net interest expense for 2005 was $2.1 million compared to $1.9 million for the same period last year. This increase in expense is primarily due to the accelerated amortization of prepaid financing costs on the Company s line of credit facility ($100,000) that was refinanced in December 2005, coupled with higher effective interest charges on the new debt facility.

Net Loss. As a result of the foregoing, our consolidated net loss in 2005 was ($105.3 million) compared to our consolidated net loss of ($3.8 million) in 2004.

Liquidity and Capital Resources

Over the last several years we have experienced declining revenues, recurring losses from operations and have limitations on our access to capital. Our working capital deficit was approximately $16.6 million and our accumulated deficit was approximately $247.5 million at September 30, 2007. We had availability under our revolving credit facility of approximately $4.5 million at December 31, 2006. We had availability under our revolving credit facility and related amendments (further discussed below) of approximately $2.0 million at September 30, 2007 and approximately $0.6 million at November 14, 2007.

We have experienced attrition in our workforce and not all vacated positions have been re-filled. The result is that we have further reduced our labor and payroll expenses but do not believe that this additional reduction in workforce size has had a material adverse effect on our service levels; we continue to find ways to operate more efficiently.

Simultaneous with our expense management efforts, we have been continually evaluating and pursuing strategic transactions, such as the sale of our pharmacy transaction business that occurred on April 30, 2007. In May 2007, we retained Cain Brothers to further help us identify strategic alternatives related to the Company and its businesses. Cain Brothers is an investment banking and financial advisory firm that focuses exclusively on the healthcare services and medical technology and the combined efforts of management and Cain Brothers culminated in the November 8, 2007 announcement that we had signed a definitive agreement to sell our Cost Containment Business to CAI which is described in Note 10 to the unaudited consolidated financial statements attached hereto as Appendix D.

On December 7, 2005, we and certain of our wholly-owned subsidiaries, entered into the Loan Agreement with Laurus to provide up to $20.0 million in financing to us. Under the terms of the Loan Agreement, Laurus extended financing to us in the form of a $5.0 million secured term loan and a $15.0 million secured revolving credit facility. The Term Loan has a stated term of five (5) years and will accrue interest at Prime plus 2%, subject to a minimum interest rate of 8%. The Term Loan is payable in equal monthly principal installments of approximately $89,300 plus interest until the maturity date on December 6, 2010. The Revolving Credit Facility has a stated term of three (3) years and will accrue interest at the 90 day LIBOR rate plus 5%, subject to a minimum interest rate of 7%, and a maturity date of December 6, 2008 with two (2) one-year extension-options at the discretion of Laurus. Additionally, in connection with the Loan Agreement, we issued 500,000 shares of our common stock to Laurus that were valued at approximately $2.4 million at the time of issuance.

We granted Laurus a first priority security interest in substantially all of our present and future tangible and intangible assets (including all intellectual property) to secure our obligations under the Loan Agreement. The Loan Agreement contains various customary representations and warranties of us as well as customary affirmative and negative covenants, including, without limitation, liens of property, maintaining specific forms of accounting and record maintenance, and limiting the incurrence of additional debt. The Loan Agreement does not contain restrictive covenants regarding minimum earning requirements, historical earning levels, fixed charge coverage, or working capital requirements. We can borrow up to three times the trailing 12-months of historical earnings, as defined in the Loan Agreement. Per the Loan Agreement, we are required to maintain a lock box arrangement wherein monies received by us are automatically swept to repay the loan balance on the revolving credit facility.

The Loan Agreement also contains customary events of default, including, among others, non-payment of principal and interest, violation of covenants, and in the event we are involved in certain insolvency proceedings. Upon the occurrence of an event of default, Laurus is entitled to, among other things, accelerate all obligations. In the event Laurus accelerates the loans, the amount due will include all accrued interest plus 120% of the then outstanding principal amount of the loans being accelerated as well as all unpaid fees and expenses of Laurus. In addition, if the Revolving Credit Facility is terminated for any reason, whether because of a prepayment or acceleration, we must pay an additional premium of up to 5% of the total amount of the Revolving Credit Facility. In the event we elect to prepay the Term Loan, we must pay accrued interest plus 115% of the then outstanding principal amount of the Term Loan. Due to certain subjective acceleration clauses contained in the Loan Agreement and a lockbox arrangement, the Revolving Credit Facility is classified as current in the accompanying unaudited consolidated balance sheet.

On June 21, 2007, we entered into an Amendment to the Loan Agreement with Laurus whereby the amount available under the Revolving Credit Facility was increased by $3.0 million to $18.0 million. The June Amendment has a maturity date of June 30, 2008. During the term of the June Amendment, the revised amounts available under the Revolving Credit Facility decrease, as defined in the June Amendment, and the amount available under the Revolving Credit Facility at June 30, 2008 will return to $15.0 million as committed under the original Loan Agreement. In connection with the June Amendment, we issued 572,727 shares of our common stock to Laurus that were valued at approximately $1.0 million. The costs of these shares were capitalized as debt issuance costs and will be amortized over the term of the June Amendment.

As more fully disclosed in Note 1(d) to the unaudited consolidated financial statements attached hereto as Appendix D, we revised our estimate of revenue allowances and the allowance for doubtful accounts for the period ended June 30, 2007. These changes in estimates negatively impacted our availability under the Revolving Credit Facility (which is based on an earnings formula as defined in the Loan Agreement) and resulted in an overadvance on our available borrowings at June 30, 2007. Subsequent to June 30, 2007, we obtained a waiver from Laurus regarding this overadvance on our available borrowings until June 30, 2008.

On October 10, 2007, we entered into an Amendment to the Loan Agreement with Laurus whereby Laurus has agreed to fix the available revolving credit facility at $16.5 million through December 31, 2007 in the event that certain conditions are met on dates specified in the October Amendment. The October Amendment supersedes the June Amendment. In consideration for the October Amendment, we have agreed to pay Laurus $1.25 million as follows: (i) $1.0 million on October 10, 2007 and (ii) $0.25 million on the earlier of (a) an event of default under the Loan Agreement and October Amendment, if any, or (b) December 31, 2007.

On November 1, 2007, Laurus notified us that an Event of Default had occurred by our failure to execute an asset purchase or stock purchase agreement by October 31, 2007 as required by the terms of the October Amendment. In addition, Laurus notified us that it was taking no immediate action with respect to this Event of Default but would reserve all rights and remedies available to Laurus under the Loan Agreement and October Amendment. As a result of this Event of Default, we have classified all amounts due to Laurus as current liabilities in the accompanying unaudited consolidated balance sheet at September 30, 2007.

On November 8, 2007 we announced that we had entered into a definitive agreement to sell our Cost Containment Business to CAI for $23.5 million in cash. The transaction includes the sale of Plan Vista Solutions, Inc. (f/k/a National Preferred Provider Network, Inc.), National Network Services, LLC, PlanVista Corporation, Medical Resource, LLC and National Provider Network, Inc. all of which are subsidiaries of the Company that combine to comprise our Cost Containment Business, or NPPN. CAI will acquire all of the equity interests in these subsidiaries at closing.

We expect to receive $20.5 million of net transaction proceeds at closing. Of the $20.5 million, approximately $16.5 million will be used to pay down amounts owed to Laurus and approximately $4.0 million will be used to pay transaction costs and outstanding accounts payable and other debt of the Cost Containment Business. The remaining $3.0 million of the purchase price will be placed in escrow pursuant to the terms of an Escrow Agreement and the purchase price will be subject to adjustment based upon net working capital levels at closing.

We remain in discussions with Laurus regarding the status of our Loan Agreement and October Amendment. At the same time, we are refining plans for our remaining business units while working with Laurus to develop a modified line of credit based on the reduced debt arising from the closing of the sale of our Cost Containment Business. Consistent with our earlier approach, we will review product offerings, our staffing, and other efficiencies arising from the more focused and streamlined organization following the sale of the Cost Containment Business, all of which affect our liquidity.

Our ability to have access to sufficient cash and cash equivalents on hand or available to us to fund our operations and capital requirements through September 2008 is dependent on the successful closing of the sale of the Cost Containment Business, which reduces our existing debt levels, and to obtain a revised line of credit from Laurus or another party. There can be no assurance that this additional funding will be available to us, or if available, that it will be available on acceptable terms. If we are successful in obtaining additional financing, the terms of the financing may have the effect of significantly diluting or adversely affecting the holdings or the rights of the holders of our common stock. We believe that if we are not successful in obtaining additional financing and if we are unable to successfully close the sale of our Cost Containment Business, we may not be able to continue operations. In addition, we would continue to be in default under the terms of our agreement with Laurus, our senior secured lender, who has reserved all rights with respect to such default and who may exercise such rights under such circumstances including its right to foreclose on our assets.

We continue to monitor our liquidity, capital resources and financial position on an ongoing basis, and we are continuing our efforts to reduce costs and increase revenues through new product launches and expanded relationships with certain customers. In addition, we are reviewing several strategic and operational initiatives that we believe may reverse some of these negative trends and also address our current liquidity issues. These initiatives include a review of certain product offerings and additional cost cutting initiatives, including headcount reductions, while continuing efforts to seek additional sources of long-term financing.

During the nine months ended September 30, 2007, net cash used in operating activities totaled $0.8 million, related to net losses. Cash used in investing activities totaled $0.6 million from capital expenditures and software development offset by proceeds from the sale of our pharmacy business. We anticipate that we will spend approximately

$0.05 million on capital expenditures, including capitalized development costs, for the remainder of 2007. These capital expenditures may be deferred to future periods by management at its discretion. Cash provided by financing activities totaled $1.6 million for the nine months ended September 30, 2007, consisting of drawings on our Laurus credit facility for the repayments of notes payable, payments of other long-term debt, payments related to capital leases, and funding our net cash used by operating activities.

Critical Accounting Policies and Estimates

Our discussion and analysis of our financial condition and results of operations are based on our audited consolidated financial statements for the year ended December 31, 2006 attached hereto as Appendix C, and our unaudited consolidated financial statements for the three and nine month periods ended September 30, 2007 attached hereto as Appendix D, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of our consolidated financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions, but we believe that any variation in results would not have a material effect on our financial condition. We evaluate our estimates on an ongoing basis.

We believe the following critical accounting policies affect our more significant judgments and estimates used in the preparation of our condensed consolidated financial statements. For a detailed discussion on the application of these and other accounting policies, see Note 1 in the Notes to Consolidated Financial Statements attached hereto as Appendix C and Note 1 to Consolidated Financial Statements attached hereto as Appendix D.

Revenue Recognition Revenue is derived from our Transaction Services and Laboratory Communication Solutions segments.

Revenues in our Transaction Services segment are recorded as follows:

For revenues derived from insurance payers, pharmacies, and submitters, such revenues are recognized on a per transaction basis or flat fee basis in the period the services are rendered.

Revenues from our Cost Containment Business are recognized when the services are performed and are recorded net of estimated allowances. These revenues are primarily in the form of fees generated from discounts we secure for payers that access our provider network.

Revenues associated with revenue sharing agreements are recorded on a per transaction basis or a percentage of revenue basis and may involve increasing amounts or percentages based on transaction or revenue volumes achieved. This treatment is in accordance with Emerging Issues Task Force No. 99-19, Reporting Revenue Gross as a Principal Versus Net as an Agent.

Revenue from certain up-front fees is recognized ratably over the contract s life. This treatment is in accordance with Staff Accounting Bulletin No. 104, Revenue Recognition (SAB No. 104).

Revenue from support and maintenance contracts is recognized ratably over the contract period.

Revenues in our Laboratory Communication Solutions segment are recorded as follows:

Revenue from support and maintenance contracts is recognized ratably over the contract period.

Revenue from the sale of inventory and manufactured goods is recognized when the product is delivered, price is fixed or determinable, and collectibility is probable. This treatment is in accordance with SAB No. 104.

Revenue from the rental of laboratory communication devices is recognized ratably over the period of the rental contract.

Capitalized Software Development and Research and Development Costs incurred internally and fees paid to outside contractors and consultants during the application development stage of our internally used software products are capitalized. Costs of upgrades and major enhancements that result in additional functionality are also capitalized. Costs incurred for maintenance and minor upgrades are expensed as incurred. All other costs are expensed as incurred as research and development expenses (included in Selling, General and Administrative expenses). Application development stage costs generally include software configuration, coding, installation to hardware and testing. Once the project is completed, capitalized costs are amortized over their remaining estimated economic life. Our judgment is used in determining whether costs meet the criteria for immediate expense or capitalization. We periodically review projected cash flows and other criteria in assessing the impairment of any internal-use capitalized software and take impairment charges as needed.

Allowance for Revenue Adjustments/Doubtful Accounts/Bad Debt Estimates We rely on estimates to determine revenue allowances, bad debt expenses, and the adequacy of our allowance for doubtful accounts receivable. These estimates are based on our historical experience and the industry in which we operate. If the financial condition of our customers was to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. Additionally, in our Cost Containment Business, we evaluate the collectibility of our accounts receivable based on a combination of factors, including historical collection ratios. In circumstances where we are aware of a specific customer s inability to meet its financial obligations, we record a reserve for doubtful accounts against amounts due to reduce the net recognized receivable to the amount we reasonably believe will be collected. For all other customers, we recognize reserves for bad debts based on past write-off history and the length of time the receivables are past due. To the extent historical credit experience is not indicative of future performance or other assumptions used by management do not prevail, loss experience could differ significantly, resulting in either higher or lower future provision for losses.

As part of this process, we revised our estimates of revenue allowances within our Cost Containment business during the periods ended June 30, 2007 and September 30, 2007 to reflect changes in historical collections due to changes in customer mix and service offerings. In addition, we wrote off approximately $1.7 million of accounts receivable from certain customers that management determined were uncollectible during the period ended June 30, 2007.

New Accounting Pronouncements

We adopted the provisions of Financial Accounting Standards Board, or FASB, Interpretation No. 48, or FIN 48, Accounting for Uncertainty in Income Taxes, effective January 1, 2007. FIN 48 is an interpretation of Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes, which seeks to reduce the diversity in practice associated with certain aspects of measurement and recognition in accounting for income taxes. In addition, FIN 48 provides guidance on derecognition, classification, interest and penalties, and accounting in interim periods and requires expanded disclosure with respect to the uncertainty in income taxes. Adoption of FIN 48 had no cumulative effect on our consolidated financial position at January 1, 2007. At September 30, 2007, we had no significant unrecognized tax benefits related to income taxes.

Our policy with respect to penalties and interest in connection with income tax assessments or related to unrecognized tax benefits is to classify penalties as provision for income taxes and interest as interest expense in its consolidated income statement.

We file income tax returns in the U.S. federal and several state jurisdictions. We believe that we are no longer subject to U.S. federal and state income tax examinations for years before 2003.

In September 2006, the FASB issued SFAS No. 157, Fair Value Measurements, which is effective for financial statements issued for fiscal years beginning after November 15, 2007. SFAS No. 157 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. SFAS No. 157 also expands disclosure requirements to include: (a) the fair value measurements of assets and liabilities at the reporting date, (b) segregation of assets and liabilities between fair value measurements based on quoted market prices and those based on other methods and (c) information that enables users to assess the method or methods used to estimate fair value when no quoted price exists. We are currently in the process of reviewing this guidance to determine its impact on our consolidated financial position and results of operations.

In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities (SFAS No. 159), which permits entities to elect to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value. This election is irrevocable. SFAS No. 159 will be effective in the first quarter of fiscal year 2008. We are currently assessing the potential impact that the adoption of SFAS No. 159 will have on our financial statements.

Table of Contents

SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA

The following table sets forth selected historical consolidated financial data for the Company as of the dates and for the periods indicated. The consolidated financial data and the consolidated operations data for fiscal years 2002 through 2006 have been derived from our audited consolidated financial statements included in our filings on Form 10-K for each of the respective periods. The consolidated financial data as of September 30, 2007 and September 30, 2006, respectively, and the consolidated operations data for the nine months ended September 30, 2007 and September 30, 2006, respectively, have been derived from our unaudited consolidated financial statements included in our Form 10-Q for the quarter ended September 30, 2007. The consolidated financial data and the consolidated operations data for fiscal years 2004 through 2006 and the nine months ended September 30, 2007 and 2006 have been included herein in Appendix C and D, respectively.

	Nine Months Ended September 30,		Year Ended December 31,				
	2007	2006	2006(1)	2005	2004(2)	2003(3)	2002
	(In thousands, except share and per share data)						
ATEMENT OF PERATIONS ATA:							
t Revenues	$ 41,322	$ 49,615	$ 65,462	$ 77,519	$ 90,246	$ 71,556	$ 50,18
erating Loss	$ (28,222)	$ (2,769)	$ (3,370)	$ (103,177)	$ (1,974)	$ (3,642)	$ (1,34
ss from continuing erations	$ (31,530)	$ (5,008)	$ (6,610)	$ (105,924)	$ (3,800)	$ (5,000)	$ (1,95
t Loss Applicable Shareholders	$ (31,530)	$ (5,008)	$ (6,610)	$ (105,924)	$ (3,800)	$ (5,000)	$ (1,33
R SHARE ATA:							
sic and diluted net s per share of mmon stock:							
ss from continuing erations	$ (2.35)	$ (0.38)	$ (0.50)	$ (8.29)	$ (0.33)	$ (0.74)	$ (0.2
t Loss	$ (2.35)	$ (0.38)	$ (0.50)	$ (8.29)	$ (0.33)	$ (0.74)	$ (0.2
sic and diluted ighted average mmon shares standing	13,422,076	13,206,993	13,207,789	12,707,695	11,617,601	6,783,742	6,396,89
VIDEND DATA:							
vidends on mulative preferred ck							
LANCE SHEET ATA:							
orking capital ficiency)	$ (16,641)	$ (3,002)	$ (7,636)	$ 15	$ (1,664)	$ 10,152	$ 8,74
nvertible Notes	$ 13,137	$ 13,137	$ 13,137	$ 13,137	$ 13,137	$ 13,137	$ 13,40

her long-term igations	$	1,113	$	6,333	$	6,171	$	5,898	$	1,069	$	3,518	$	2,58
tal assets	$	44,512	$	70,464	$	72,240	$	75,641	$	184,403	$	73,130	$	88,70
ckholders equity	$	(2,042)	$	28,765	$	27,424	$	32,904	$	135,082	$	45,778	$	50,73

(1) includes operations of Zeneks, from the acquisition date of February, 14, 2006, and Medical Resources, LLC from the acquisition date of October 10, 2006

(2) includes operations of PlanVista from the acquisition date of March 2, 2004

(3) includes operations of MedUnite from the acquisition date of January 1, 2003

UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

ProxyMed, Inc., and Subsidiaries

General Information

The following unaudited pro forma consolidated financial information sets forth the pro forma consolidated results of operations of the Company for the nine months ended September 30, 2007 and 2006 and the twelve months ended December 31, 2006, 2005 and 2004, and the pro forma consolidated financial position of the Company as of September 30, 2007.

The unaudited pro forma consolidated results of operations for the nine months ended September 30, 2007 and 2006 and the twelve months ended December 31, 2006, 2005 and 2004 have been derived from the Company s historical consolidated financial information and give effect to the following transaction as if it had occurred on January 1, 2004 (the earliest period presented). In addition, the unaudited pro forma consolidated balance sheet as of September 30, 2007 has been derived from the Company s historical consolidated financial information and gives effect to the following transaction as if it had occurred on September 30, 2007:

> *Transaction* The proposed sale of substantially all of the net assets of the Company s Cost Containment Business to Coalition America, Inc, (CAI) in exchange for $23.5 million in cash. At closing, $3.0 million of the cash proceeds will be placed in escrow to cover possible indemnification claims, $4.0 million will be used to pay transaction costs and certain Cost Containment Business liabilities, and the remaining $16.5 million will be used to pay down a portion of the Company s senior debt.

The unaudited pro forma consolidated financial information has been prepared in accordance with Article 11 of Regulation S-X of the SEC and should be read in conjunction with the Company s historical audited consolidated financial statements and unaudited interim consolidated financial statements included in this Proxy Statement as Appendix C and Appendix D, respectively.

The unaudited pro forma consolidated financial information does not purport to represent what the Company s consolidated results of operations or consolidated financial position would have been if this transaction had occurred on the date indicated and are not intended to project the Company s consolidated results of operations or consolidated financial position for any future period or date.

The unaudited pro forma adjustments are based on estimates and certain assumptions that the Company believes are reasonable. The unaudited consolidated pro forma adjustments and primary assumptions are described in the accompanying notes herein.

Table of Contents

ProxyMed, Inc. and Subsidiaries

Pro Forma Consolidated Balance Sheet
As of September 30, 2007
(Unaudited)

	ProxyMed, Inc. Historical Consolidated(a)	Cost Containment Business(b)	Pro Forma Adjustments(c)		Pro Forma Consolidated
		(In thousands)			
Cash and Cash Equivalents	$ 932	$ 66	$ 20,500	1	$ 932
			(20,500)	2	
			66	3	
Accounts Receivable Net	12,696	7,993			4,703
Note and Other Receivables	86	0			86
Inventory	571	0			571
Other Current Assets	1,378	266			1,112
Total Current Assets	15,663	8,325	66		7,404
Property and Equipment, Net	3,901	88			3,813
Goodwill, Net	11,870	8,176			3,694
Purchased Technology, Capitalized Software & Other Intangible Assets, Net	10,353	7,222			3,131
Other Assets	2,725	260	(1,193)	4	1,272
Total Assets	**$ 44,512**	**$ 24,071**	$ (1,127)		**$ 19,314**
Accounts payable, accrued expenses and other current liabilities	11,918	2,150	(2,000)	5	7,768
Current Portion of Capital Leases	835	0			835
Notes Payable and Current Portion of Long-Term Debt	18,901	0	(16,500)	6	1,601
			(800)	7	
Deferred Revenue	238	0			238
Income Taxes payable	412	0			412
Total Current Liabilities	32,304	2,150	(19,300)		10,854
Convertible Notes	13,137	0			13,137
Other Long-Term Debt	89	0	(89)	7	0
Long-Term Capital Leases	644	0			644
Long-Term Deferred Revenue and Other Long-Term Liabilities	380	0			380
Total Liabilities	**46,554**	**2,150**	(19,389)		**25,015**
Stockholders Equity					

Preferred Stock		0		0						0
Common Stock		14		0						14
Additional Paid-In Capital		245,448		230,483		230,483	8			245,448
Retained Earnings (Deficit)		(247,504)		(208,562)		(230,483)	8			(251,163)
						66	3			
						(1,200)	9			
						(1,193)	4			
						20,500	1			
						89	7			
Total Stockholder s Equity		**(2,042)**		**21,921**		18,262				**(5,701)**
Total Liabilities and Stockholders Equity	**$**	**44,512**	**$**	**24,071**	**$**	**(1,127)**			**$**	**19,314**

See the accompanying notes to the unaudited pro forma consolidated financial information.

Table of Contents

ProxyMed, Inc. and Subsidiaries

Pro Forma Consolidated
Statement of Operations
Nine Months Ended September 30, 2007
(Unaudited)

	ProxyMed, Inc Historical Consolidated (a)	Cost Containment Business (b)	Pro Forma Adjustments (c)		Pro Forma Consolidated
	(In thousands except for share and per share data)				
Net Revenues:					
Transaction fees, cost containment services and license fees	$ 36,382	$ 14,408			$ 21,974
Communication devices and other tangible goods	4,940	0			4,940
	41,322	14,408			26,914
Cost and expenses:					
Cost of transaction fees, cost containment services and license fees, excluding depreciation and amortization	9,297	4,873			4,424
Cost of laboratory communication devices and other tangible goods, excluding depreciation and amortization	2,785	0			2,785
Selling, general and administrative expenses	31,287	9,959			21,328
Depreciation and amortization	4,613	1,517			3,096
Write-off of impaired assets	21,550	14,409			7,141
Other expense, net	0	0			0
(Gain)/Loss on disposal of assets	12	0			12
Litigation settlements	0	0			0
Total Expenses	69,544	30,758	0		38,786
Operating income (loss)	(28,222)	(16,350)	0		(11,872)
Other (Income), net	0	0			0
Interest expense, net	3,308	0	(2,632)	1	676
Income (loss) before income taxes	(31,530)	(16,350)	2,632		(12,548)

Provision for income taxes	0	0	0	0
Net Income (loss)	$ (31,530)	$ (16,350)	$ 2,632	$ (12,548)
Basic and diluted weighted average shares outstanding	13,422,076	13,422,076	13,422,076	13,422,076
Basic and diluted loss per share	$ (2.35)	$ (1.22)	$ 0.20	$ (0.93)

See the accompanying notes to the unaudited pro forma consolidated financial information.

Table of Contents

ProxyMed, Inc. and Subsidiaries

Pro Forma Consolidated
Statement of Operations
Nine Months Ended September 30, 2006
(Unaudited)

	ProxyMed, Inc Historical Consolidated (a)	Cost Containment Business (b)	Pro Forma Adjustments (c)		Pro Forma Consolidated
	(In thousands except for share and per share data)				
Net Revenues:					
Transaction fees, cost containment services and license fees	$ 42,842	$ 18,272			$ 24,570
Communication devices and other tangible goods	6,773	0			6,773
	49,615	18,272			31,343
Cost and expenses:					
Cost of transaction fees, cost containment services and license fees, excluding depreciation and amortization	10,873	5,382			5,491
Cost of laboratory communication devices and other tangible goods, excluding depreciation and amortization	4,027	0			4,027
Selling, general and administrative expenses	31,930	8,733			23,197
Depreciation and amortization	5,554	2,208			3,346
Write-off of impaired assets	0	0			0
Other expense, net	0	0			0
(Gain)/Loss on disposal of assets	0	0			0
Litigation settlements	0	0			0
Total Expenses	52,384	16,323	0		36,061
Operating income (loss)	(2,769)	1,949	0		(4,718)
Other (Income), net	0	0			0
Interest expense, net	2,239	0	(1,563)	1	676
Income (loss) before income taxes	(5,008)	1,949	1,563		(5,394)
Provision for income taxes	0	760	760	2	0

Net Income (loss)	$ (5,008)	$ 1,189	$ 803	$ (5,394)
Basic and diluted weighted average shares outstanding	13,206,994	13,206,994	13,206,994	13,206,994
Basic and diluted loss per share	$ (0.38)	$ 0.09	$ 0.06	$ (0.41)

See the accompanying notes to the unaudited pro forma consolidated financial information.

ProxyMed, Inc. and Subsidiaries

Pro Forma Consolidated
Statement of Operations
Twelve Months Ended December 31, 2006
(Unaudited)

	ProxyMed, Inc Historical Consolidated (a)	Cost Containment Business (b)	Pro Forma Adjustments (c)	Pro Forma Consolidated
	(In thousands except for share and per share data)			
Net Revenues:				
Transaction fees, cost containment services and license fees	$ 56,240	$ 23,886		$ 32,354
Communication devices and other tangible goods	9,222	0		9,222
	65,462	23,886		41,576
Cost and expenses:				
Cost of transaction fees, cost containment services and license fees, excluding depreciation and amortization	13,944	6,869		7,075
Cost of laboratory communication devices and other tangible goods, excluding depreciation and amortization	5,389	0		5,389
Selling, general and administrative expenses	41,787	11,830		29,957
Depreciation and amortization	7,379	2,919		4,460
Write-off of impaired assets	0	0		0
Other expense, net	0	0		0
(Gain)/Loss on disposal of assets	12	(7)		19
Litigation settlements	321	0		321
Total Expenses	68,832	21,611	0	47,221
Operating income (loss)	(3,370)	2,275	0	(5,645)
Other (Income), net	0	0		0

Interest expense, net		3,240		0		(2,340)	1		900
Income (loss) before income taxes		(6,610)		2,275		2,340			(6,545)
Provision for income taxes		0		887		887	2		0
Net Income (loss)	$	(6,610)	$	1,388	$	1,453		$	(6,545)
Basic and diluted weighted average shares outstanding		13,207,789		13,207,789		13,207,789			13,207,789
Basic and diluted loss per share	$	(0.50)	$	0.11	$	0.11		$	(0.50)

See the accompanying notes to the unaudited pro forma consolidated financial information.

54

Table of Contents

ProxyMed, Inc. and Subsidiaries

Pro Forma Consolidated
Statement of Operations
Twelve Months Ended December 31, 2005
(Unaudited)

	ProxyMed, Inc Historical Consolidated (a)	Cost Containment Business (b)	Pro Forma Adjustments (c)		Pro Forma Consolidated
	(In thousands except for share and per share data)				
Net Revenues:					
Transaction fees, cost containment services and license fees	$ 67,909	$ 27,943			$ 39,966
Communication devices and other tangible goods	9,610	0			9,610
	77,519	27,943			49,576
Cost and expenses:					
Cost of transaction fees, cost containment services and license fees, excluding depreciation and amortization	20,674	10,265			10,409
Cost of laboratory communication devices and other tangible goods, excluding depreciation and amortization	6,150	0			6,150
Selling, general and administrative expenses	47,962	12,826			35,136
Depreciation and amortization	9,305	4,421			4,884
Write-off of impaired assets	96,416	70,313			26,103
Other expense, net	0	0			0
(Gain)/Loss on disposal of assets	14	0			14
Litigation settlements	175	175			0
Total Expenses	180,696	98,000	0		82,696
Operating income (loss)	(103,177)	(70,057)	0		(33,120)
Other (Income), net	(1)	0			(1)
Interest expense, net	2,118	0	(1,218)	1	900
Income (loss) before income taxes	(105,294)	(70,057)	1,218		(34,019)
Provision for income taxes	0	0			0

Net Income (loss)	$ (105,294)	$ (70,057)	$ 1,218	$ (34,019)
Basic and diluted weighted average shares outstanding	12,707,695	12,707,695	12,707,695	12,707,695
Basic and diluted loss per share	$ (8.29)	$ (5.51)	$ 0.10	$ (2.68)

See the accompanying notes to the unaudited pro forma consolidated financial information.

Table of Contents

ProxyMed, Inc. and Subsidiaries

Pro Forma Consolidated
Statement of Operations
Twelve Months Ended December 31, 2004
(Unaudited)

	ProxyMed, Inc Historical Consolidated (a)	Cost Containment Business (b)	Pro Forma Adjustments (c)		Pro Forma Consolidated
	(In thousands except for share and per share data)				
Net Revenues:					
Transaction fees, cost containment services and license fees	$ 73,538	$ 26,913			$ 46,625
Communication devices and other tangible goods	16,708	0			16,708
	90,246	26,913			63,333
Cost and expenses:					
Cost of transaction fees, cost containment services and license fees, excluding depreciation and amortization	22,626	8,788			13,838
Cost of laboratory communication devices and other tangible goods, excluding depreciation and amortization	11,586	0			11,586
Selling, general and administrative expenses	48,023	10,967			37,056
Depreciation and amortization	9,763	4,123			5,640
Write-off of impaired assets	0	0			0
Other expense, net	0	0			0
(Gain)/Loss on disposal of assets	47	0			47
Litigation settlements	175	175			0
Total Expenses	92,220	24,053	0		68,167
Operating income (loss)	(1,974)	2,860	0		(4,834)
Other (Income), net	(134)	0			(134)
Interest expense, net	1,920	0	(1,020)	1	900
Income (loss) before income taxes	(3,760)	2,860	1,020		(5,600)
Provision for income taxes	40	1,115	1,115	2	40

Net Income (loss)	$	(3,800)	$	1,745	$	(95)	$	(5,640)
Basic and diluted weighted average shares outstanding		11,617,601		11,617,601		11,617,601		11,617,601
Basic and diluted loss per share	$	(0.33)	$	0.15	$	(0.01)	$	(0.49)

See the accompanying notes to the unaudited pro forma consolidated financial information.

56

Table of Contents

ProxyMed, Inc. and Subsidiaries
Notes to Unaudited Pro Forma Consolidated Financial Information

I. Adjustments to unaudited pro forma consolidated balance sheet

(a) ProxyMed, Inc.

Represents the historical unaudited consolidated balance sheet as of September 30, 2007 as reported in the Company s Form 10-Q for the quarter ended September 30, 2007.

(b) Cost Containment Business

Represents the elimination of the Cost Containment Business assets and liabilities, as reflected in the historical consolidated balance sheet of the Company as of September 30, 2007.

The Cost Containment Business historical financial position is included within the Company s Transaction Services segment for financial reporting purposes. However, the Company does maintain a separate balance sheet and subsidiary ledger for the Cost Containment Business, and the corresponding assets and liabilities of the Cost Containment Business have been allocated based on the Cost Containment Business subsidiary ledger and the corresponding assets and liabilities being sold. In addition, certain liabilities, such as revolving debt and other senior debt, have been transacted through the corporate accounts of the Company and therefore have not historically been reflected in the Cost Containment Business. As such, for purposes of the Cost Containment Business balance sheet, corporate debt was allocated to the Cost Containment Business on the basis of total assets of the Cost Containment Business compared to total consolidated assets.

(c) Pro Forma Adjustments

1) At the close of the transaction, the Company will receive net proceeds of $20.5 million after the placement of $3.0 million in escrow to cover possible indemnification claims that may arise from this transaction.

2) Represents the pay down of the Company s senior debt, a term note related to the Cost Containment Business, certain Cost Containment Business accounts payables and transaction costs, as further described below.

3) The Company will retain the Cost Containment Business cash balances at closing.

4) This amount reflects the write off of deferred financing costs as a result of the pay down of $16.5 million of the Company s senior debt and was estimated based on the percentage of senior debt being paid down at closing.

5) Approximately $2.0 million of the cash proceeds will be used to pay certain accounts payable over approximately 45 days outstanding and attributable to the Cost Containment Business at closing.

6) Approximately $16.5 million of the cash proceeds will be used to pay down a portion of the Company s senior debt at closing.

7) Approximately $0.9 million of the cash proceeds will be used to extinguish a Cost Containment Business note payable at closing.

8) This amount reflects the elimination of the paid in capital and accumulated deficit related to the Company s investment in the Cost Containment Business.

9) Approximately $1.2 million of the cash proceeds will be used to pay transaction costs to outside advisors at closing.

II. Adjustments to unaudited pro forma consolidated statements of operations

a) ProxyMed, Inc.

Represents the historical unaudited consolidated statement of operations for the nine months ended September 30, 2007 and September 30, 2006, and the years ended December 31, 2006, 2005, and 2004, as

Table of Contents

ProxyMed, Inc. and Subsidiaries
Notes to Unaudited Pro Forma Consolidated Financial Information (Continued)

reported in the Company s Form 10-Q for the quarter ended September 30, 2007 and Form 10-K for the year ended December 31, 2006.

b) Cost Containment Business

Represents the elimination of Cost Containment Business revenues and expenses as reflected in the historical consolidated statement of operations of the Company for the nine months ended September 30, 2007, and September 30, 2006, and the years ended December 31, 2006, 2005, and 2004. The Cost Containment Business 2004 revenues and expenses represent only 10 months of operating results (March 2, 2004 through December 31, 2004) because the Company acquired the operations of the Cost Containment Business through its acquisition of PlanVista on March 2, 2004.

The Cost Containment Business historical financial results are reported as part of the Company s Transaction Services segment for financial reporting purposes. However, the Company does maintain a separate income statement and subsidiary ledger for the Cost Containment Business, and the corresponding operating revenues and expenses of the Cost Containment Business have been allocated based on the Cost Containment Business subsidiary ledger. In addition, certain expenses, including certain payroll, share-based compensation, professional fees, insurance, and other corporate overhead, have been transacted through the corporate accounts of the Company and therefore have not historically been reflected in the Cost Containment Business. As such, for purposes of the Cost Containment Business balance sheet, these expenses were allocated to the Cost Containment Business statement of operations as follows:

a) Payroll, share based-compensation, professional fees and insurance allocated based on Cost Containment Business revenue as a percentage of consolidated revenue.

b) Other corporate overhead allocated primarily based on Cost Containment Business headcount as a percentage to total consolidated headcount.

c) Provision for income taxes have been estimated based on the historical statutory tax rate of 39% for the periods presented, where applicable.

c) Pro forma adjustments

1) Represents adjustment to reflect interest and loan amortization expense after the payment of approximately $16.5 million of the Company s senior debt and approximately $0.8 million of a Cost Containment Business note payable for the periods presented.

Table of Contents

ProxyMed, Inc. and Subsidiaries
Notes to Unaudited Pro Forma Consolidated Financial Information (Continued)

The following table reflects the assumed interest rate and amounts of borrowings the pro forma interest expense calculation is based on and the pro-forma deferred loan amortization costs for each nine and twelve month period presented:

Interest expense (in thousands)	Total rate	Amount of borrowing	Pro-forma interest expense nine month periods	Pro-forma interest expense twelve month periods
Senior debt	10.0%	$ 1,690	$ 127	$ 169
Convertible debt	4.0%	$ 13,137	$ 394	$ 525
Other	7.0%	$ 1,479	$ 78	$ 104
Total interest expense			$ 599	$ 798
Amortization of deferred financing costs (in thousands)				
Senior debt			$ 77	$ 102
Total amortization of deferred financing costs			$ 77	$ 102
Total interest expense and amortization of deferred financing costs			$ 676	$ 900

Interest and amortization expense (in thousands)	ProxyMed, Inc. Historical Consolidated	Pro forma Adjustment
Nine months ended September 30, 2007	$ 3,308	$ 2,632
Nine months ended September 30, 2006	$ 2,239	$ 1,563
Twelve months ended December 31, 2006	$ 3,240	$ 2,340
Twelve months ended December 31, 2005	$ 2,118	$ 1,218
Twelve months ended December 31, 2006	$ 1,920	$ 1,020

2) Provision for income tax is eliminated due to a remaining net loss after the elimination of the Cost Containment Business and the pro forma adjustments.

Table of Contents

COST CONTAINMENT BUSINESS
UNAUDITED FINANCIAL STATEMENTS

The Company has prepared the following unaudited financial statements to present the balance sheets and statements of operations of the Cost Containment Business on a stand-alone basis for the same periods as presented for the Company as a whole set forth in Appendix C and Appendix D, respectively. The unaudited financial statements represent the results of operations and financial position of the Cost Containment Business as a stand-alone business, which include certain cost allocations.

The following unaudited financial statements of the Cost Containment Business are presented herein:

Unaudited balance sheets as of September 30, 2007 and December 31, 2006

Unaudited statements of operations for the nine months ended September 30, 2007 and 2006, for the years ended December 31, 2006, and 2005, and for the period from March 2, 2004 (date of acquisition) to December 31, 2004

Notes to unaudited financial statements

The unaudited financial statements of the Cost Containment Business, including the notes thereto, are qualified in their entirety by reference to, and should be read in conjunction with, the audited Company s historical financial statements and notes thereto attached hereto as Appendix C and the Company s unaudited historical financial statements and notes thereto attached hereto as Appendix D. The Cost Containment Business 2004 statement of operations presents only ten months of operating results (March 2, 2004 through December 31, 2004) because the Company acquired the operations of the Cost Containment Business through its acquisition of Plan Vista Corporation on March 2, 2004.

The unaudited financial statements of the Cost Containment Business included herein are derived from the Company s consolidated financial statements and contain certain estimated adjustments and allocations for the stand-alone results for the Cost Containment Business. The amounts and methods for those allocations are described in the footnotes to these statements contained herein. However, the Cost Containment Business is currently operated as a unit of the Company s Transaction Services segment, as such, actual results could differ materially.

Table of Contents

COST CONTAINMENT BUSINESS

UNAUDITED BALANCE SHEETS

	As of September 30, 2007	As of December 31, 2006
	(In thousands)	
ASSETS		
Cash and cash equivalents	$ 66	$ 163
Accounts receivable, net	7,993	9,366
Note and other receivables	74	74
Prepaid expenses	0	265
Other current assets	266	0
Total current assets	8,399	9,868
Property and equipment, net	88	170
Goodwill, net	8,176	16,791
Other intangibles, net	7,111	14,069
Purchased and capitalized software and technology costs, net	111	84
Other assets	260	213
Total Assets	$ 24,145	$ 41,195
LIABILITIES AND STOCKHOLDERS EQUITY		
Notes payable	$ 0	$ 976
Current portion long-term debt	5,924	4,741
Accounts payable	175	170
Accrued expenses	1,575	2,548
Current income taxes payable	0	675
Other current liabilities	0	74
Total current liabilities	7,674	9,184
Long-term income taxes payable	0	237
Other long-term debt	1,029	2,026
Long-term deferred revenue and other long-term liabilities	0	646
Total liabilities	$ 8,703	$ 12,093
Stockholders equity:		
Common stock	$ 0	$ 0
Additional paid-in capital	230,483	230,483
Retained earnings (deficit)	(215,041)	(201,381)
Total stockholder s equity	15,442	29,102
Total liabilities and stockholder s equity	$ 24,145	$ 41,195

The accompanying notes are an integral part of these financial statements.

61

COST CONTAINMENT BUSINESS

UNAUDITED STATEMENTS OF OPERATIONS

	Nine Months Ended September 30, 2007	Nine Months Ended September 30, 2006
	(In thousands)	
Net Revenues:		
Transaction fees, cost containment services and license fees	$ 14,408	$ 18,272
Communication devices and other tangible goods	0	0
	14,408	18,272
Costs and expenses:		
Cost of transaction fees, cost containment services and license fees, excluding depreciation and amortization	4,873	5,382
Cost of laboratory communication devices and other tangible goods, excluding depreciation and amortization	0	0
Selling, general and administrative expenses	9,959	8,733
Depreciation and amortization	1,517	2,208
Write-off of impaired assets	14,409	0
Other expense, net	0	0
(Gain)/Loss on disposal of assets	0	0
Litigation Settlements	0	0
Total expenses	$ 30,758	$ 16,323
Operating income (loss)	$ (16,350)	$ 1,949
Other (income), net	0	0
Interest expense, net	830	619
Income (loss) before income taxes	(17,180)	1,330
Provision for income taxes	0	519
Net income (loss)	$ (17,180)	$ 811

The accompanying notes are an integral part of these financial statements.

Table of Contents

COST CONTAINMENT BUSINESS

UNAUDITED STATEMENTS OF OPERATIONS

	Twelve Months Ended December 31, 2006	Twelve Months Ended December 31, 2005	For the Period from March 2, 2004 to December 31, 2004 2004
	(In thousands)		
Net Revenues:			
Transaction fees, cost containment services and license fees	$ 23,886	$ 27,943	$ 26,913
Communication devices and other tangible goods	0	0	0
	23,886	27,943	26,913
Costs and expenses:			
Cost of transaction fees, cost containment services and license fees, excluding depreciation and amortization	6,869	10,265	8,788
Cost of laboratory communication devices and other tangible goods, excluding depreciation and amortization	0	0	0
Selling, general and administrative expenses	11,830	12,826	10,967
Depreciation and amortization	2,919	4,421	4,123
Write-off of impaired assets	0	70,313	0
Other expense, net	0	0	0
(Gain)/Loss on disposal of assets	(7)	0	0
Litigation Settlements	0	175	175
Total expenses	$ 21,611	$ 98,000	$ 24,053
Operating income (loss)	$ 2,275	$ (70,057)	$ 2,860
Other (income), net	0		
Interest, expense, net	826	442	103
Income (loss) before income taxes	1,449	(70,449)	2,757
Provision for income taxes	565	0	1,075
Net income (loss)	$ 884	$ (70,449)	$ 1,682

COST CONTAINMENT BUSINESS
NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2007 AND 2006, THE YEARS ENDED DECEMBER 31, 2006 AND 2005, AND FOR THE PERIOD FROM MARCH 2, 2004 (DATE OF ACQUISITION) TO DECEMBER 31, 2004

The Cost Containment Business historical financial position and financial results are reported as part of ProxyMed, Inc. and Subsidiaries (the Company) Transaction Services segment. Services provided by the Cost Containment Business include discounts on fees when a patient uses an out-of-network provider and bill negotiation on non-discounted claims. The Cost Containment Business generates revenue primarily by charging participating payers a percentage of the savings they receive through its network.

(1) Summary of Significant Accounting Policies

(a) *Corporate Overhead Allocations* The Cost Containment Business s historical financial position is included within the Company s Transaction Services segment for financial reporting purposes. However, the Company does maintain a separate balance sheet and subsidiary ledger for the Cost Containment Business, and the corresponding assets and liabilities of the Cost Containment Business have been allocated based on the Cost Containment Business s subsidiary ledger. In addition, certain liabilities, such as revolving debt and other senior debt, have been transacted through the corporate accounts of the Company and therefore have not historically been reflected in Cost Containment Business. As such, for purposes of the Cost Containment Business balance sheet, corporate debt was allocated to the Cost Containment Business on the basis of total assets of the Cost Containment Business compared to total consolidated assets.

The Cost Containment Business s historical financial results are reported as part of the Company s Transaction Services segment for financial reporting purposes. However, the Company does maintain a separate income statement and subsidiary ledger for the Cost Containment Business, and the corresponding operating revenues and expenses of the Cost Containment Business have been allocated based on the Cost Containment Business s subsidiary ledger. In addition, certain expenses, including certain payroll, share-based compensation, professional fees, insurance, interest, and other corporate overhead, have been transacted through the corporate accounts of the Company and therefore have not historically been reflected in the Cost Containment Business. As such, for purposes of the Cost Containment Business balance sheet, these expenses were allocated to the Cost Containment Business statement of operations as follows:

(i) Payroll, share-based compensation, professional fees and insurance allocated based on the Cost Containment Business revenue as a percentage of consolidated revenue.

(ii) Interest expense allocated based on Cost Containment Business assets as a percentage of consolidated assets.

(iii) Other corporate overhead allocated primarily based on Cost Containment Business headcount as a percentage to total consolidated headcount.

While management believes that the above allocations are representative of how these costs are or were incurred, they are not designed to purport how the Cost Containment Business would have performed on a stand-alone basis. Actual result may differ significantly from these estimates.

(b) *Income Tax* The cost containment stand alone financial statements include an income tax provision, where applicable, based on management s estimate of the income tax provision on a separate return basis.

(c) *2004 partial year* The Cost Containment Business stand-alone financial statement for the period ended December 31, 2004 represents only 10 months of operating results (March 2, 2004 thru December 31, 2004) because the Company acquired the operations of the Cost Containment Business through its acquisition of PlanVista Corporation on March 2, 2004.

COST CONTAINMENT BUSINESS
NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (Continued)

(2) Basis of Presentation and General Summary of Significant Accounting Policies

(a) *Basis of Presentation* The financial statements contained herein follow the principles and policies more fully described in the Company s audited consolidated financial statements for the year ended December 31, 2006 attached hereto as Appendix C, and the Company s unaudited consolidated financial statements for the three and nine month periods ended September 30, 2007 attached hereto as Appendix D, which have been prepared in accordance with accounting principles generally accepted in the United States of America, except where necessary or appropriate for a meaningful presentation of stand-alone Cost Containment Business results of operations and financial position or the Company consolidated financial statements. The unaudited financial statements are derived from the Company s historical consolidated financial statements and are designed to present the Cost Containment Business as if it was not part of the consolidated operations of the Company for the periods presented. Management believes that the unaudited financial statements presented herein have been prepared in accordance with generally accepted accounting principles and meet Regulation S-X requirements.

(b) *Use of Estimates* The preparation of the Company s consolidated financial statements and the Cost Containment Business financial statements contained herein require us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. Management base its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions, but management believes that any variation in results would not have a material effect on the Company s financial condition or on the presentations contained herein. Management evaluates its estimates on an ongoing basis.

(c) *Revenue Recognition* Revenue recognition accounting policies relevant to the Cost Containment Business include the following: -

Revenue from the Cost Containment Business is recognized when the services are performed and are recorded net of estimated allowances. These revenues are primarily in the form of fees generated from discounts the Company secures for payers that access its provider network.

Revenues associated with revenue sharing agreements are recorded on a per transaction basis or a percentage of revenue basis and may involve increasing amounts or percentages based on transaction or revenue volumes achieved. This treatment is in accordance with Emerging Issues Task Force No. 99-19, Reporting Revenue Gross as a Principal Versus Net as an Agent.

(d) *Fair Value of Financial Instruments* Cash and cash equivalents, notes and other accounts receivable and restricted cash are financial assets with carrying values that approximate fair value. Accounts payable, other accrued expenses and liabilities, notes payable and short-term and long-term debt are financial liabilities with carrying values that approximate fair value. The notes payable bear interest rates that approximate market rates.

(e) *Cash and Cash Equivalents* The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents. Cash balances in excess of immediate needs are invested in bank certificates of deposit, money market accounts and commercial paper with high-quality credit institutions. At times, such amounts may be in excess of FDIC insurance limits. The Company has not experienced any loss to date on these investments.

Cash and cash equivalents used to support collateral instruments, such as letters of credit, are reclassified as either current or long-term assets depending upon the maturity date of the obligation they collateralize.

(f) *Reserve for Doubtful Accounts/Revenue Allowances/Bad Debt Estimates* The Company relies on estimates to determine revenue allowances, bad debt expenses, and the adequacy of our allowance for doubtful accounts receivable. These estimates are based on historical experience and the industry in which the Company operates. If the financial condition of the Company s customers was to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. Additionally, the Company evaluates the

COST CONTAINMENT BUSINESS
NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (Continued)

collectibility of accounts receivable based on a combination of factors, including historical collection ratios. In circumstances where the Company is aware of a specific customer s inability to meet its financial obligations, it records a reserve for doubtful accounts against amounts due to reduce the net recognized receivable to the amount we reasonably believe will be collected. For all other customers, the Company recognizes reserves for bad debts based on past write-off history and the length of time the receivables are past due. To the extent historical credit experience is not indicative of future performance or other assumptions used by management do not prevail, loss experience could differ significantly, resulting in either higher or lower future provision for losses.

As part of this process, the Company revised its estimate of revenue allowances within the Cost Containment Business during the nine months ended September 30, 2007 to reflect changes in customer mix and service offerings. In addition, the Company wrote-off approximately $1.7 million of accounts receivable from certain customers that it determined were uncollectible and this write-off is included in the Cost Containment Business pro forma financial statements.

(g) *Property and Equipment* Property and equipment is stated at cost and includes revenue earning equipment. Depreciation of property and equipment is calculated on the straight-line method over their estimated useful lives, generally 2 to 7 years. Leasehold improvements are amortized on the straight-line method over the shorter of the lease term or the estimated useful lives of the assets. Upon sale or retirement of property and equipment, the cost and related accumulated depreciation are eliminated from the accounts and any resulting gains or losses are reflected in operating expenses for the period. Maintenance and repair of property and equipment are charged to expense as incurred. Renewals and betterments are capitalized and depreciated. In accordance with Statement of Financial Accounting Standards (SFAS) No. 144, Accounting for Impairment or Disposal of Long-lived Assets, management periodically reviews the carrying value of the Company s fixed assets to determine if events or circumstances have changed which may indicate that the assets may be impaired or the useful life may need to be revised. The Company considers internal and external factors relating to each asset, including expectation of future profitability, undiscounted cash flows and its plans with respect to the operations. SFAS No. 144 requires impairment losses to be recognized for long-lived assets used in operations when indicators of impairment are present and the estimated undiscounted cash flows are not sufficient to recover the assets net carrying amounts. The impairment loss is measured by comparing the estimated fair value of the asset to its net carrying amount.

(h) *Intangible Assets*

Goodwill As required by Statement of Financial Accounting Standards (SFAS) No. 142, Goodwill and Other Intangible Assets, all Cost Containment Business goodwill is identified and presented as part of these financial statements. To the extent that the Cost Containment Business has incurred impairment charges, these charges are reported under write-off of impaired assets in the appropriate period. Accordingly, the Cost Containment Business financial statements include goodwill and any related write-off for goodwill impairment for all periods presented. The Cost Containment Business has incurred write-offs for the impairment of goodwill for the following amounts as described in the impairment section below. Goodwill is reviewed at least annually for impairment and between annual tests in certain circumstances.

Other Intangibles Other acquired intangible assets, consisting of customer relationships and provider networks, are also identified and presented within these financial statements. The Cost Containment Business intangibles amortization expense is included in the depreciation and amortization line item. To the extent that the Cost Containment Business unit has incurred impairment charges, these charges are included in the line item write-off of impaired assets. Other intangible assets are reviewed at least annually for impairment and between annual tests in certain circumstances.

Impairment Charges As a result of the Company s continuing revenue and stock price declines during the first quarter of 2007, the Company performed an interim goodwill impairment test as of March 31, 2007. In accordance with the provisions of SFAS No. 142, the Company used a discounted cash flow analysis which indicated that the book value of the Transaction Services segment exceeded its estimated fair value and that

COST CONTAINMENT BUSINESS
NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (Continued)

goodwill impairment had occurred. In addition, as a result of the goodwill analysis, the Company assessed whether there had been an impairment of the Company s long-lived assets in accordance with SFAS No. 144. This impairment analysis indicated that the carrying value of certain finite-lived intangible assets was greater than their expected undiscounted future cash flows. Therefore, the Company concluded that these intangible assets were impaired and adjusted the carrying value of these assets to fair value. Accordingly, the Company recorded a non-cash impairment charge of $14.4 million for the three months ended March 31, 2007 in its Cost Containment Business. This charge included an $8.6 million impairment of goodwill and a $5.8 million impairment of certain other intangibles.

The changes in the carrying amounts of the Cost Containment Business s goodwill, net, resulting from the impairment charges, for the nine months ended September 30, 2007 for the Cost Containment Business are as follows:

(In thousands)	Cost Containment
Balance as of December 31, 2006	$ 16,791
Impairment charge	(8,615)
Balance as of September 30, 2007	$ 8,176

The following table summarizes the changes in the Cost Containment Business s other intangibles assets for the nine months ended September 30, 2007.

(In thousands)	Other Intangibles Balance as of December 31, 2006	Additions Deletions	Amortization Expense	Impairment Charge	Other Intangibles Balance as of September 30, 2007
Customer relationships	5,569		(235)	(5,334)	
Provider network	8,500	60	(990)	(459)	7,111
	$ 14,069	$ 60	$ (1,225)	$ (5,793)	$ 7,111

The changes in the carrying amounts of goodwill, net, for the twelve months ended December 31, 2006 for the Cost Containment Business are as follows:

(In thousands)	Cost Containment
Balance as of December 31, 2005	$ 16,756
Additions	35

Balance as of December 31, 2006	$	16,791

The following table summarizes the changes in the Company s other intangible assets for the twelve months ended December 31, 2006.

(In thousands)		Other Intangibles Balance as of December 31, 2005		Additions Deletions		Amortization Expense		Impairment Charge		Other Intangibles Balance as of December 31, 2006
Capitalized software	$		$		$		$		$	
Purchased technology		0			$					
Customer relationships		5,828		620		(879)				5,569
Provider network		4,821		4,555		(876)				8,500
	$	10,649	$	5,175	$	(1,755)	$		$	14,069

COST CONTAINMENT BUSINESS
NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (Continued)

As a result of the Company s stock price decline and reorganization during the third quarter of 2005, the Company performed a goodwill impairment test as of September 30, 2005. In accordance with the provisions of SFAS No. 142, the Company used a discounted cash flow analysis which indicated that the book value of the Transaction Services segment exceeded its estimated fair value and that goodwill impairment had occurred. In addition, as a result of the goodwill analysis, the Company assessed whether there had been an impairment of the Company s long-lived assets in accordance with SFAS No. 144. This impairment analysis indicated that the carrying value of certain intangible assets was greater than their expected undiscounted future cash flows. Therefore, the Company concluded that these intangible assets were impaired and adjusted the carrying value of these assets to fair value. In addition, the Company also reduced the remaining useful lives of other intangible assets based on the foregoing analysis. Accordingly, the Company recorded a non-cash impairment charge of $70.3 million for the three months ended September 30, 2005 in its Cost Containment Business. The charges included $46.1 million impairment of goodwill and $24.2 million impairment of certain other intangibles.

Purchased Technology, Capitalized Software and Research and Development The Company has capitalized amounts related to various software and technology that it has purchased or developed for its own internal systems use. Internal and external costs incurred to develop internal-use computer software during the application development stage are capitalized. Application development stage costs generally include software configuration, coding, installation of hardware and testing. Costs of upgrades and major enhancements that result in additional functionality are also capitalized. Costs incurred for maintenance and minor upgrades are expensed as incurred. All other costs are expensed as incurred as research and development expenses (and are included in selling, general and administrative expenses). Capitalized internal-use software development costs are periodically evaluated by the Company for indications that the carrying value may be impaired or that the useful lives assigned may be excessive. This evaluation indicates whether assets will be recoverable based on estimated future cash flows on an undiscounted basis, and if they are not recoverable, an impairment charge is recognized if the carrying value exceeds the estimated fair value. Purchased technology and capitalized software are being amortized on a straight-line basis over their estimated useful lives of 3-12 years. Purchased technology and capitalized software and related accumulated amortization are removed from the accounts when fully amortized and are no longer being utilized. Software development costs incurred prior to the application development stage are charged to research and development expense when incurred. Research and development expense for the nine months ended September 30, 2007 and 2006 were approximately $0.3 million and $0.3 million, respectively. Research and development expense for the years ended December 31, 2006 and 2005, and the period from March 2, 2004 (date of acquisition) to December 31, 2004 were approximately $0.4 million, $0.3 million, and $0.2 million, respectively.

(i) *Subsequent Events* On November 8, 2007 the Company entered into a definitive agreement to sell its National Preferred Provider Network (NPPN) to Coalition America, Inc. (CAI) for $23.5 million in cash. The transaction includes the sale of Plan Vista Solutions, Inc. (f/k/a National Preferred Provider Network, Inc.), National Network Services, LLC, Plan Vista Corporation, Medical Resource, LLC and National Provider Network, Inc. all of which are MedAvant Subsidiaries that combine to comprise NPPN. CAI will acquire all of the equity interests in these subsidiaries at closing.

The Company expects to receive $20.5 million of net transaction proceeds at closing. Of the $20.5 million, approximately $16.5 million will be used to pay down amounts owed to Laurus and approximately $4.0 million will be used to pay transaction costs, outstanding accounts payable, and other debt of the NPPN business. The remaining $3.0 million of the purchase price will be placed in escrow pursuant to the terms of an Escrow Agreement and the purchase price will be subject to adjustment based upon CAI s ability to meet targeted net working capital levels

145 days after closing.

In connection with the Stock Purchase Agreement, the Company is obligated to file a proxy statement with the Securities and Exchange Commission. The transaction is subject to shareholder approval. If such shareholder approval is obtained, the transaction is anticipated to close in the first quarter of 2008, subject to regulatory approvals and customary closing conditions.

Table of Contents

COST CONTAINMENT BUSINESS
NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (Continued)

(j) *Share-based Compensation* The Cost Containment Business s financial statements include an allocation of consolidated share-based compensation expense to each respective business unit. These allocated amounts are included in Selling, General and Administrative Expenses.

(k) *New Accounting Pronouncements* The Company adopted the provisions of Financial Accounting Standards Board, or FASB, Interpretation No. 48, or FIN 48, Accounting for Uncertainty in Income Taxes, effective January 1, 2007. FIN 48 is an interpretation of Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes, which seeks to reduce the diversity in practice associated with certain aspects of measurement and recognition in accounting for income taxes. In addition, FIN 48 provides guidance on derecognition, classification, interest and penalties, and accounting in interim periods and requires expanded disclosure with respect to the uncertainty in income taxes. Adoption of FIN 48 had no cumulative effect on the Company s consolidated financial position at January 1, 2007. At September 30, 2007, the Company and Cost Containment Business had no significant unrecognized tax benefits related to income taxes.

The Company s policy with respect to penalties and interest in connection with income tax assessments or related to unrecognized tax benefits is to classify penalties as provision for income taxes and interest as interest expense in its consolidated income statement.

The Company files income tax returns in the U.S. federal and several state jurisdictions. Management believes that the Company is no longer subject to U.S. federal and state income tax examinations for years before 2003.

(3) Debt and Debt Obligations

As of September 30, 2007, and December 31, 2006, the Cost Containment Business s outstanding debt consists of the following:

	September 30, 2007	December 31, 2006
	(In thousands)	
Line of credit	$ 5,924	$ 4,741
Note payable	1,029	3,002
	6,953	7,743
Less: current maturities	(5,924)	(5,717)
	$ 1,029	$ 2,026

On October 10, 2006, the Company signed two $1.0 million notes payable in conjunction with its acquisition of MRL. The notes payable accrue interest at 7% and are payable in 24 equal monthly installments of principal and interest of approximately $0.1 million beginning in November 2006.

Table of Contents

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS

The following table sets forth information regarding the beneficial ownership of our outstanding stock as of November 26, 2007 including options and warrants exercisable within sixty days thereof, with respect to (i) each person known to us to be the beneficial owner of more than 5% of any class of our outstanding stock; (ii) each director; (iii) each executive officer who identified in our proxy statement filed with the SEC on April 30, 2007 and (iv) all of our directors and executive officers as a group. The calculation of the percentage of outstanding shares is based on 13,782,915 shares of common stock outstanding as of November 16, 2007.

Title of Class	Name and Address of Beneficial Owner(1)	Shares Beneficially Owned(2)	Percentage Beneficially Owned
	Executive Officers and Directors:		
Common	John G. Lettko, Chief Executive Officer and Director(3)	474,186	3.44%
Common	Edwin M. Cooperman, Director(4)	64,166	*
Common	Eugene R. Terry, Director(5)	55,166	*
Common	James B. Hudak, Director(6)	53,867	*
Common	Samuel R. Schwartz, Director(7)	24,367	*
Common	Douglas J. O Dowd, former Executive Vice President and Chief Financial Officer(8)	49,013	*
Common	Gerard M. Hayden, Jr.		*
Common	Peter E. Fleming III, Executive Vice President, General Counsel and Secretary(9)	18,750	*
Common	Lonnie Hardin, Executive Vice President., Operations(10)	62,838	*
Common	Eric Arnson, Executive Vice President., Product and Business Development(11)	21,384	*
Common	All directors and executive officers as a group (10 persons)(12)	823,737	5.98%
	5% Shareholders:		
Common	General Atlantic LLC(13)	3,381,802	24.54%
Common	Galleon Management, L.P.(14)	2,034,412	14.76%
Common	Laurus Master Fund, Ltd.(15)	730,384	5.3%

* Less than 1%

(1) The address for each of our executive officers and directors is 1854 Shackleford Court, Suite 200, Norcross, Georgia 30093.

(2) Shares subject to options, warrants, rights or conversion privileges exercisable within 60 days from November 26, 2007 have been deemed to be outstanding for the purpose of computing the percentage of outstanding shares owned by the individual having such right, but have not been deemed outstanding for the purpose of computing the percentage for any other person.

(3) Includes 87,520 shares held of record and 386,666 shares issuable upon the exercise of stock options exercisable within 60 days.

(4) Includes 9,000 shares held of record and 55,166 shares issuable upon the exercise of stock options exercisable within 60 days.

(5) Includes 55,166 shares issuable upon exercise of stock options exercisable within 60 days.

(6) Includes 49,200 shares held of record and 4,667 shares issuable upon exercise of stock options exercisable within 60 days.

(7) Includes 19,700 shares held of record and 4,667 shares issuable upon exercise of stock options exercisable within 60 days.

(8) Includes 1,685 shares held of record and 47,328 shares issuable upon exercise of stock options exercisable within 60 days.

(9) Includes 18,750 shares issuable upon exercise of stock options exercisable within 60 days.

(10) Includes 62,838 shares issuable upon exercise of stock options exercisable within 60 days.

(11) Includes 21,384 shares issuable upon exercise of stock options exercisable within 60 days.

(12) Includes 167,105 shares held of record by the officers and directors and their related parties and 656,632 shares issuable upon exercise of stock options and warrants exercisable in 60 days.

(13) Includes the following shares of our common stock held by the following General Atlantic entities: (i) 1,166,184 shares owned by General Atlantic Partners 77, L.P. (GAP 77); (ii) 1,741,258 shares owned by General Atlantic Partners 74, L.P. (GAP 74); (iii) 236,441 shares owned by GAP Coinvestments Partners II, L.P. (GAPCO II); (iv) 63,943 shares owned by GAP Coinvestments III, LLC (GAPCO III); (v) 15,930 shares owned by GAP Coinvestments IV, LLC; (vi) 4,782 shares owned by GAPCO Management; and (vi) 153,264 shares owned by GapStar, LLC. General Atlantic LLC (GA LLC) is the general partner of GAP 74 and GAP 77 and the sole member of GapStar. The general partners of GAPCO II are Managing Directors of GA LLC. The Managing Members of each of GAPCO III and GAPCO IV are Managing Directors of GA LLC. The general partner of GAPCO KG is GAPCO Management GmbH (Management GmbH and, together with GAP 74, GAP 77, GapStar, GAPCO II, GAPCO III, GAPCO IV, GAPCO KG and GA LLC, the GA Group). The Managing Directors of GA are Steven A. Denning (Chairman), William E. Ford (Chief Executive Officer), H. Raymond Bingham, Peter L. Bloom, Mark F. Dzialga, Klaus Esser, Vince Feng, William O. Grabe, Abhay Havaldar, David C. Hodgson, Rene M. Kern, Jonathan Korngold, Christopher J. Lanning, Anton J. Levy, Marc F. McMorris, Thomas J. Murphy, Matthew Nimetz, Andrew C. Pearson, David A. Rosenstein, Franchon M. Smithson, Tom C. Tinsley, Philip P. Trahanas and Florian P. Wendelstadt (collectively, the GA Managing Directors). The GA Managing Directors have the right to control the voting and investment power over the shares of Common Stock held by each member of the GA Group. The GA Group is a group within the meaning of Rule 13d-5 of the Exchange Act. The address of the GA Group (other than GAPCO KG and Management GmbH) is c/o General Atlantic Service Company, LLC, 3 Pickwick Plaza, Greenwich, CT 06830. The address of GAPCO KG and Management GmbH is c/o General Atlantic GmbH, Koenigsallee 62, 40212 Duesseldorf, Germany.

(14) Galleon Management, L.P. has beneficial ownership of 2,034,412 shares through the investment discretion it exercises over its clients accounts. One account managed by Galleon Management, L.P., Galleon Healthcare Offshore, Ltd. owns of record more than 10% of ProxyMed s shares. Raj Rajaratnam, as managing member of Galleon Management, L.L.C., which is the general partner of Galleon Management, L.P., has voting and investment power over the shares. Information is based solely from a Schedule 13G filed with the SEC on August 16, 2007.

(15) Laurus Master Fund, Ltd. is managed by Laurus Capital Management, LLC. Eugene Grin and David Grin, through other entities, are the controlling principals of Laurus Capital Management, LLC and share sole voting and investment power over the shares owned by Laurus Master Fund, Ltd. Information is based solely on a Schedule 13G filed with the SEC on September 6, 2007.

RECENT DEVELOPMENTS

On December 18, 2007, Deloitte & Touche LLP (Deloitte) notified us that it has resigned as our independent registered public accounting firm.

Our audit committee has commenced an immediate search for a new independent registered public accounting firm.

Our consolidated financial statements for the years ended December 31, 2006 and 2005 were audited by Deloitte. Deloitte s reports did not contain an adverse opinion or disclaimer of opinion, but the 2006 report included explanatory paragraphs regarding our adoption of Statement of Financial Accounting Standards No. 123 (revised 2004), Share-Based Payment, on January 1, 2006 and our ability to continue as a going concern.

During the years ended December 31, 2006 and 2005 and through December 18, 2007, there have been no disagreements with Deloitte on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure, and there were no reportable events as such term is defined in Item 304(a)(1)(v) of Regulation S-K.

HOUSEHOLDING OF PROXY MATERIALS

The SEC has adopted rules that permit companies and intermediaries (e.g., brokers) to satisfy the delivery requirements for proxy statements and annual reports with respect to two (2) or more shareholders sharing the same address by delivering a single proxy statement addressed to those shareholders. This process, which is commonly referred to as householding, potentially means extra convenience for shareholders and cost savings for companies.

This year, a number of brokers with account holders who are our shareholders will be householding our proxy materials. A single Proxy Statement will be delivered to multiple shareholders sharing an address unless contrary instructions have been received from the affected shareholders. Once you have received notice from your broker that they will be householding communications to your address, householding will continue until you are notified otherwise or until you revoke your consent. If, at any time, you no longer wish to participate in householding and would prefer to receive a separate Proxy Statement and annual report, please notify your broker, and direct your written request to MedAvant, 1854 Shackleford Court, Suite 200, Norcross, Georgia 30093, Attention: Corporate Secretary. Shareholders who currently receive multiple copies of the Proxy Statement at their address and would like to request householding of their communications should contact their broker.

OTHER MATTERS

Our board is not aware of any other business that may come before the Special Meeting. However, if additional matters properly come before the Special Meeting, shares represented by all proxies received by our board will be voted with respect thereto at the discretion and in accordance with the judgment of the proxy holders.

WHERE YOU CAN FIND MORE INFORMATION

We file reports, proxy statements and other information with the SEC as required by the Exchange Act. To read or obtain copies of our SEC filings, you may visit the SEC in person, request the documents in writing at prescribed rates or view our filings on the SEC website at:

SEC Public Reference Room
100 F Street, N.E.
Washington, D.C. 20549
(800) SEC-0330
www.sec.gov

If you would like additional copies of this proxy statement, or if you have questions about any of the proposals to be voted on at the Special Meeting, you should contact:

ProxyMed, Inc.
Attn: Peter E. Fleming, III
Corporate Secretary
1854 Shackleford Court, Suite 200
Norcross, Georgia 30093
(770) 806-9918

You can also find additional information about us at our Internet website at: *http://www.medavanthealth.com*. Information contained on our Internet website does not constitute part of this document.

REQUEST TO SIGN, DATE AND RETURN PROXIES

If you do not intend to be present at the Special Meeting on January 22, 2008, please sign, date and return the enclosed proxy card at your earliest convenience.

BY ORDER OF THE BOARD OF DIRECTORS,

Peter E. Fleming, III
Executive Vice President, General Counsel and Secretary

Table of Contents

APPENDIX A

STOCK PURCHASE AGREEMENT

BY AND AMONG

PROXYMED, INC.,

COALITION AMERICA, INC.

AND

CCB ACQUISITION, LLC

DATED NOVEMBER 8, 2007

A-1

TABLE OF CONTENTS

Table of Contents

Table of Contents

STOCK PURCHASE AGREEMENT

This STOCK PURCHASE AGREEMENT (Agreement) is dated November 8, 2007, by and among CCB Acquisition, LLC, a Delaware limited liability company (Buyer), Coalition America, Inc., a Georgia corporation (CAI) and ProxyMed, Inc., a Florida corporation doing business as MedAvant (Seller).

RECITALS

WHEREAS, Buyer desires to purchase, and Seller desires to sell, the Business, which is, or will be wholly-contained in the Targeted Subsidiaries for the consideration and pursuant to the terms and conditions set forth in this Agreement;

WHEREAS, Seller owns, directly or indirectly, all of the Equity Interests in the Targeted Subsidiaries, and

WHEREAS, the Buyer desires to purchase, and Seller desires to sell, all of the Equity Interests in the Targeted Subsidiaries, for the consideration and pursuant to the terms and conditions set forth in this Agreement;

NOW, THEREFORE, for and in consideration of the mutual premises and covenants herein contained, and for other good and valuable consideration, the receipt and sufficiency of which hereby are acknowledged conclusively, the parties, intending to be legally bound, agree as follows:

ARTICLE I

DEFINITIONS; INTERPRETATION

1.1 *Definitions*. For purposes of this Agreement, the following terms and variations thereof have the meanings specified or referred to in this Section 1.1:

Accounts Payable Report is defined in Section 2.4(a)(xix).

Accounts Receivable means (a) all trade accounts receivable and other rights to payment from customers of Seller and the Seller Subsidiaries in the case of Seller as relates to the Business notwithstanding whether held by Seller or any Seller Subsidiary and the full benefit of all security for such accounts or rights to payment, including all trade accounts receivable representing amounts receivable in respect of the Business, (b) all other accounts or notes receivable of Seller and any Subsidiary, in each case as relates to the Business notwithstanding whether held by Seller or any Seller Subsidiary and the full benefit of all security for such accounts or notes, and (c) any claim, remedy or other right related to any of the foregoing, each as relates to the Assets.

Acquisition Proposal means any proposal or offer from any Person other than CAI or Buyer relating to any direct or indirect acquisition of (A) the Business or any of the Assets, including the sale of all or any part of the Targeted Subsidiaries Equity Interests, the merger or consolidation of any of the Targeted Subsidiaries or the sale of the Business or any of the Assets; (B) the acquisition of more than 15% or more of the outstanding capital stock of Seller, whether directly or indirectly, through purchase, merger, consolidation, or otherwise; (C) any tender offer or exchange offer, as defined pursuant to the Exchange Act, that, if consummated, would result in any Person beneficially owning 15% or more of any class of equity securities of Seller; or (D) any proposal or offer from any Person other than CAI or Buyer regarding any merger, consolidation, business combination, recapitalization, liquidation, dissolution or similar transaction involving Seller, other than the transactions contemplated by this Agreement. Notwithstanding the foregoing, a proposal that would otherwise constitute an Acquisition Proposal under (B), (C) or (D) above shall not be deemed to constitute an Acquisition Proposal if such proposal specifically authorizes and permits and does not in any way restrict Seller s sale of the Business, Targeted Subsidiaries and Assets to the Buyer and, in the case of a proposal described in (B) or (C), includes an agreement by such Person or Person making the proposal to vote all shares of Seller s stock that it beneficially owns (as defined in the Exchange Act) in favor of the consummation of the Contemplated Transactions and this Agreement.

Table of Contents

Affiliate of a specified Person means a Person who directly, or indirectly through one or more intermediaries, Controls, is controlled by or is under common control with such specified Person.

Appurtenances means all privileges, rights, easements, hereditaments and appurtenances belonging to or for the benefit of the Land, including all easements appurtenant to and for the benefit of any Land (a Dominant Parcel) for, and as the primary means of access between, the Dominant Parcel and a public way, or for any other use upon which lawful use of the Dominant Parcel for the purposes for which it is presently being used is dependent, and all rights existing in and to any streets, alleys, passages and other rights-of-way included thereon or adjacent thereto (before or after vacation thereof) and vaults beneath any such streets.